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Daily Report

East Asia

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Daily Report

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FBIS-EAS-94-245

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NOTICE TO READERS: An * indicates material not disseminated in electronic form.

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Japan

U.S., Japan Reaffirm Friendship, Security Ties

OW2112004394 Tokyo KYODO in English 0006 GMT
21 Dec 94

[By Antonio Kamiya]

[FBIS Transcribed Text] Washington, Dec. 20
KYODO—The United States hopes to reaffirm its friendship and security ties with Japan as the two countries mark the 50th anniversary of the end of World War II next year, a senior State Department official said Tuesday [20 December].

Winston Lord, assistant secretary of state for East Asian and Pacific affairs, also said the U.S. plans to work closely with Japan and other interested countries to ensure that the commemorative events will be conducted in an "appropriate and constructive" fashion.

The two countries should "take into account the sensitivities that exist on both sides of the Pacific," Lord told reporters in outlining the administration's foreign policy agenda in the Asia-Pacific region for the coming year.

"We would like to use this not only to commemorate the sacrifices of the past but to celebrate the progress that has been made thanks to those sacrifices," he said.

Lord's remarks appear to mirror a similar upbeat tone in Tokyo as officials lay the groundwork for a summit meeting on Jan. 11 in Washington between Prime Minister Tomiichi Murayama and President Bill Clinton.

While political leaders in both countries have emphasized the importance of bilateral ties between the world's two largest economies, public sentiments have flared up on both sides of the Pacific in recent months over commemorative events surrounding the 1945 U.S. atomic bombings of Hiroshima and Nagasaki.

Adding to the edgy trans-Pacific feelings have been a constant stream of trade frictions that have triggered accusations and counteraccusations between the two countries for most of the past year.

U.S. officials, however, have sounded a more positive note recently on bilateral ties, particularly after the two countries wrapped up several trade accords last fall.

In his news briefing with foreign reporters, Lord also stressed that the two countries still have "important unfinished business" on trade matters and predicted there will not be any dramatic breakthrough prior to Murayama's visit.

"This still is a very large and persistent global and bilateral surplus (on the part of Japan), and there's much to be done to open up that market," he said.

Still, Lord argued that next year should be a year for the U.S. to "cement, and strengthen, and promote our

friendship" with Japan and underscored the opportunity to do just that during Murayama's meeting with Clinton.

It is important to get together with Japan at the highest levels, as a basic principle, underlying the fact that this is one of our most, if not the most, important partnerships in the world," Lord said.

While noting that the two countries still have "some very difficult negotiations" on trade issues, Lord argued that the two allies have made good progress in other areas, such as their "common agenda" to tackle environmental, population and other global issues.

Murayama, who heads a three-party coalition government in Tokyo, has met Clinton twice since becoming the first Japanese socialist premier in nearly four decades in June.

Both meetings, however, took place in third countries, the first in Italy in July during a group of seven summit and the other in Indonesia last month during an Asia-Pacific Economic Cooperation (APEC) forum summit.

U.S. Demands on Pension Market Criticized

952A0156A Tokyo KINYU ZAISEI JIJO in Japanese
14 Nov 94 pp 36-38

[Article by Kazuichi Hino: "'Pension Management Issue,' Focus of Japan-U.S. Financial Talks, Is Replete With Risks Associated With Financial Engineering"]

[FBIS Translated Text] *One of the issues advocated by U.S. authorities in connection with the Japan-U.S. financial talks is public pension fund management by U.S. investment advisers. Concurrently, the issue is expanding into one that concerns the territorial boundary lines of domestic financial institutions, but a question exists as to whether there is a lack of basic awareness concerning pension issues.*

Pension Management Issue Emanates From the Modified Reserve System

Pensions for old age are a concern of most individuals because no one can avoid the process of aging. Pensions are the same as financial savings products from the standpoint of recipients in that premiums are paid when they are young and retirement pay is received in amounts which exceed the premiums. The reason why retirement pay is issued in larger amounts than premiums paid is that the issuer invests premiums as part of a reserve. Needless to say, we are now speaking of private pension funds. Public pensions of foreign countries are paid by taking insurance fees (public pensions funds refer to premiums as insurance fees) paid by the younger generation and using those funds to pay annuities to the older generation; i.e. a process of transferring incomes between generations and providing for only a limited reserve.

Generally speaking, foreign countries have adopted public pension systems relying on the assessment format

which is of a permanent nature and which guarantees eligibility by covering annuity payments with current insurance fee collections and operating with limited reserves and relying on the transfer of income between generations, while private pensions use a reserve system whereby monies accumulated and income created from investment activities are used to pay future annuities. Reserves represent the total sums of savings necessary to pay annuities to eligible individuals in their old age, making it important that they are managed on a consolidated basis in behalf of the annuitants.

However, according to Japanese annuity systems, salaried workers' welfare annuities, which is a public annuity, hold reserves that exceed those of private annuities. The reason for this situation with welfare annuities is that a sharp rise in insurance fees in connection with a rapid aging of members is being avoided by collecting insurance fees in amounts exceeding current annuity payments before the system matures with a plan to gradually shift to an assessment system as the system matures, providing for a "modified reserve system." The situation has led to a convergence of interest in the financial engineering business potential associated with such reserves and the creation of a territorial boundary line issue among trusts, insurance companies, and investment advisers with banks and securities firms in the background.

U.S. Demand Is Theoretically Contradictory

The domestic situation is being used as a basis for tabling of a financial friction issue by the United States wherein it has demanded that U.S. investment advisory firms be allowed to participate in the management of public annuity reserves **Demand to Allow Participation by Investment Advisers.**

On the other hand, these reserves become a cause for savings excesses and surpluses by the government sector and, according to international balance of payments logic, along with private-sector savings excesses, create Japan's huge balance of payments surpluses. This is why the United States, within the context of trade friction, has asked the Japanese Government to issue government bonds and expand public works investments as a means of reducing balance of payments surpluses (**Demand to Expand Public Works Investments**). (In the United States, Social Security Funds are invested in federal government bonds and are used to cover government expenditures.)

The nature of these two demands are in distinct contrast in terms of managing reserves. "The demand to allow participation in investment advisory services" may provide some enhancement in returns accompanied by risk and provide some leverage to the stock markets but will contribute little in the way of direct capital formation from a macroeconomic effect viewpoint. On the other hand, "public works investment expansion demands" will provide for investments providing for stable returns without risk and direct capital formation from a macroeconomic perspective.

Accordingly, it is a considerably difficult task to reconcile these two demands. As an example, in terms of macroeconomic effects, if in response to public works investment demands, public pension funds are channelled into public works via fiscal investment, the macroeconomic effect will be the same as the issuance of government bonds and the expansion of public works projects and financial engineering operations for pension reserves will be no longer necessary, leaving no room for the involvement of investment advisory firms. On the contrary, if we were to open financial engineering on a widespread basis to investment advisory firms in response to demand for market entry of investment advisory firms, the funds available for fiscal investment will diminish to that degree, and it will be impossible to maintain an adequate public works investment program.

Thus, if we are to accede to the demands, there is no choice but to implement one of the two. If we are to consider the future of the Japanese economy, we should opt for the "demand for expansion of public works investments."

The foremost reason for such an approach is the need for improving the social infrastructure capital. Improvements in Japanese social infrastructure capital lag primarily in the urban areas and even without U.S. demands, we must continue with such programs from a long-term perspective, aside from use thereof as a short-term economic stimulus measure. Further, we expect that savings rates will decline along with the aging of society and we should give priority to improvements of social infrastructure while society enjoys vitality and the savings rate is still high.

Further, we could raise funds for improvements of social infrastructure by issuing government bonds for the general account, but such an approach is subject to political manipulation and the risk of inefficient and inflexible allocation of funds. However, use of public funds through the fiscal investment process carries the advantage of charging of fees and application of efficiency standards, devoid of political manipulation but with flexibility in funds allocations. Further, we are speaking of financing through public pension funds which are a form of compulsory savings, but in contrast to government bonds, there is little risk of causing a rise in interest rates through the crowding out phenomenon, limiting in that sense the potential for causing turbulence in the financial and capital markets.

Risk Control Is Lacking in Pension Fund Management

Next, we will discuss the various issues concerned with financial engineering of public pension funds. The first such issue is risk control. Private pension funds require financial engineering including stocks as a way of preventing asset deterioration because of inflation, but in that case financial engineering is administered with strict risk control. Specifically, the difference between the current value of reserves (as one of the asset items) and the present value of future payments (liability reserve...a

liability item) is used as the permissible buffer (miscellaneous reserves...a liability item) and financial engineering activities are maintained within the buffer. This buffer equates to the solvency margin concept of life insurance companies. However, financial engineering for public pension funds is basically unnecessary because the funds carry an inflation-hedge provision based on the price index and, even if financial engineering were implemented on a limited scale, it is subject to a fatal deficiency based on the lack of this type of risk control.

As an example, a look at the balance sheet for public pensions in budget documents shows that reserves are accounted for in the form of funds management department deposits, but the liability section reflects only the accumulation of the balance between receipts and disbursements (=profits) and that there is no entry on the present value of future payments which should be covered by the reserves (thus, there is no value in maintaining a double-entry bookkeeping system). Theoretically, the amount arrived at by subtracting the present value of that portion of pension payments to be covered by future insurance fees (including government liabilities) from the present value of overall future pension payments should be treated as the liability to be covered by the reserves, and financial engineering risk should be limited to the difference between the reserves and this liability figure (In reality, financial engineering is not being handled by the welfare insurance special account itself but by the Pension Welfare Service Public Corporation, and that public corporation can invoke this risk control concept).

However, although it is believed that the present value of overall future payments are calculated at the time when fiscal recalculations are made, there has been no disclosure of present value of future payments which should be covered by current reserves as a liability or the allowable risk buffer. Even if such calculations were made, the upper limit of public pension financial engineering is set at a rough estimate of one-third of reserves and cannot be thought of as having a theoretical basis concerning risk management. The maintenance of financial engineering exposed to risks under such circumstances is not only tantamount to sailing the seas without a nautical map but will expose pension funds to excessive risks. In reality, welfare pension funds are said to be carrying huge paper losses based on financial engineering.

Absolute Prohibition Should Be Imposed on Financial Engineering

Second, the management of reserves requires safety and reliability without risk for the purpose of maintaining liquid funds to cover long-term pension payments. In reality, when one considers estimates which indicate the main portion of welfare pension reserves, exclusive of the substitute portion of welfare pension funds (salaried workers bonus pension payments), among welfare pension reserves will begin to decline in less than 10 years and fall to zero in 20 years, we probably could not say

that investments in items such as stocks, which entail mid- and short-term risks and liquidity problems, are appropriate for pension fiscal administration from a liquidity control perspective.

Third, financial engineering runs the risk of providing the erroneous illusion that insurance fees can be lowered while enhancing pension payments. Welfare pension reserves total 90 trillion yen, which comes to only 2 million yen per person covered and amounts to only one year of pension payments on an overall basis. The main characteristic of public pensions is intergenerational support which makes it clear that over 80 percent of pension payments are defrayed by insurance fees paid by the younger generation and that major reliance should not be placed on investment results of reserves, in contrast to private pensions.

Finally, we need to consider the compulsory coverage of public pensions. Even if financial engineering of reserves fails in the case of private pensions, it can be disposed of as an issue of self-accountability because they are private funds even if we must sincerely sympathize with the annuity recipients. However, members of public pension systems cannot withdraw and should not in any way be subjected to failures in financial engineering.

In any event, before public pensions worsen their problems with unnecessary financial engineering, we would like to see the system thoroughly enforce its role relative to intergenerational support. If public pension funds are to be allowed the collection of insurance fees similar to taxes on a compulsory membership basis, allowed to engage in financial engineering without channeling funds into public works investments, allowed to become a cause of balance of payments surplus leading to trade friction, and fail in the management of pension funds because of the lack of risk control, we would like to see the system privatized under administrative reform.

Murayama on Dialogue With Russia, Israel

*OW2012131194 Tokyo KYODO in English 1256 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—Prime Minister Tomiichi Murayama on Tuesday [20 December] stressed the need for security dialogue with Russia, Israel and other countries, officials said.

Murayama underscored the point in a meeting with senior officials of the Foreign Ministry and the Defense Agency, the officials said. Naoaki Murata, head of the Defense Agency's Defense Policy Bureau, told Murayama that Russia is requesting an early visit to Moscow by Defense Agency Chief Tokuichiro Tamazawa, the officials said.

Israeli Prime Minister Yitzhaq Rabin asked for military technology exchanges with Japan during his recent visit to Tokyo, the officials quoted Murata as telling Murayama. But Tamazawa explained to Rabin in a meeting that Japan bans arms exports to countries that

are involved or may become involved in military conflicts, Murata told the premier.

Joint Talks With PRC on Yen-Based Loans Open
OW2112034294 Tokyo KYODO in English 0327 GMT
21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—Japanese and Chinese Government officials began two days of talks Wednesday [21 December] in hopes of determining the sum of a new set of official yen loans to China for the fiscal 1996-1998 period.

Hiroshi Hirabayashi, director general of the Foreign Ministry's Economic Cooperation Bureau, heads the Japanese delegation to the working-level meeting. Officials from the Finance and Trade Ministries are also attending the meeting at the Foreign Ministry.

The Chinese delegation includes officials from the Ministry of Foreign Economic Relations and Trade.

The Japanese side is expected to offer a total of about 580 billion yen in loans for the first three years of Japan's fourth set of yen loans between fiscal 1996 and 2000, according to government officials.

The amount is below Beijing's request of 700 billion yen, because of Japan's tight budgetary situation, they said.

The new aid will include loans for some 36 environment-related projects, a departure from past loans which focused on strengthening social infrastructures such as port facilities, railways and dams, the officials said.

The loans will also give priority to projects in the interior of China in an attempt to help narrow the economic gap between inland and coastal areas.

Toyota Preparing To Move Into Chinese Market
OW2112105194 Tokyo KYODO in English 0946 GMT
21 Dec 94

[FBIS Transcribed Text] Nagoya, Dec. 21 KYODO—Japan's top automaker Toyota Motor Corp. said Wednesday [21 December] it will start full-scale preparations in the new year for moving into the Chinese market.

Tatsuro Toyoda, president of the company, said a new unit with a staff of 20 will be inaugurated at its headquarters in January to map out strategies for a joint passenger-vehicle production venture in Tianjin.

Toyoda headed the company's mission to China recently to probe the possibility of joint car production in Tianjin with Tianjin Automobile Industrial Corp. He said the new staff will also engage in planning for the project.

Toyoda said the company is also studying the possibility of producing cars in Mexico.

"A study is being made on all aspects involved but no decision has been made on specific matters," he said.

The company has been engaged in a feasibility study on the Mexican project since 1992 as the country is regarded as a promising market, company officials said.

They said Mexico is seen as a potential production base, next to the United States and Canada, where the company currently operates car manufacturing plants.

Toyoda forecast a recovery of the domestic auto market in 1995, estimating total sales, excluding minivehicles, to reach 5.3 million units against about 4.9 million units in the current year.

"It is natural to expect domestic sales to grow and top six million in the future because Japan's automobile ownership ratio still remains low compared with other advanced nations," he said. He based his bullish outlook on continued income tax cuts in the new year, coupled with growing consumer demand for replacement vehicles.

Lifting Curbs on Sales of Euro-Yen Bonds Considered

OW2112121294 Tokyo KYODO in English 1107 GMT
21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The Finance Ministry is considering lifting from next spring restrictions barring corporate Euroyen bonds from being sold in Japan for a certain period after issue, ministry officials said Wednesday [21 December].

The ministry intends to present the move as one of its deregulatory measures to the United States at the year-end financial services talks under the bilateral "framework" trade negotiations, the officials said.

As administrative guidance, the ministry currently prohibits the sale of yen-denominated bonds issued abroad by foreign companies to Japanese investors for 90 days after issue, they said.

The restrictions are aimed at preventing bond issues from flowing out overseas, they said.

The committee on foreign exchange and other transactions, an advisory body to the finance minister, advised that the curbs be reviewed with the option of their abolishment in a 1989 report, they said.

Accordingly, the ministry in January lifted the restrictions on yen bonds issued by foreign governments or international organizations, they said.

The idea of scrapping curbs on corporate issues meets U.S. demands for the deregulation of across-the-board financial deals, they said.

Tokyo To Ease Limits on Exports of Textiles

OW2112120794 Tokyo KYODO in English 1124 GMT
21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The Ministry of International Trade and Industry (MITI)

said Wednesday [21 December] it will relax restrictions on textile exports to certain countries in line with an overall trend toward deregulation.

Under new rules to be approved by the cabinet Thursday and enforced Jan. 1, exporters will not be required to obtain administrative permits for shipping some textile products to the United States or most textile products to the European Union, MITI said.

Permits will no longer be required for shipments of any textile products bound for Canada and Southeast Asian countries, MITI said.

The move reflects the recent substantial decline in Japanese textile exports, which is expected to diminish fears of excessive price competition with foreign textile makers as well as fears of trade friction, MITI said.

The new policy is in line with recommendations made by an advisory organ to the trade minister last December, which cited the need for the government to limit regulations on textile exports to product items and countries that "really require restrictions."

The enforcement of the easier export rules is timed with the launch of the World Trade Organization, a multilateral trade body that will replace the General Agreement on Tariffs and Trade (GATT).

Foreign Exchange Market Lifts Trading Restrictions

OW2112105094 Tokyo KYODO in English 0901 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—A body of Tokyo foreign exchange market participants said Wednesday [21 December] it has decided to lift voluntary restrictions on trading hours.

The Tokyo Foreign Exchange Market Practices Committee, made up of representatives of the Bank of Japan, Japanese banks, foreign banks operating in Japan and brokers, deleted Article 4 of the code of conduct, which stipulates the "official" trading hours.

Under the article, it was decided that the Tokyo market is open from 9 A.M. [0000 GMT] to 12 A.M. and from 1:30 P.M. to 3:30 P.M. mainly for transactions via brokers. The trading hours were set by the committee in 1972.

But the trading hours rule has already been affected by the beginning of direct dealing, or transactions not through brokers, and international broking, or brokerage business with foreign banks, the committee said.

Following the lifting of restrictions on trading hours, round-the-clock trading will be "officially" realized in the Tokyo foreign exchange market starting Thursday.

The committee expects the deregulation to help revitalize the market, but many market participants doubt if longer trading will necessarily lead to bigger turnover.

"Everybody has already been ignoring the voluntary restrictions by trading with foreign concerns in the early morning or at night. Thus, the move is just consistent with reality," said an official at the Tokyo branch of a European bank.

In spite of the lifting of restrictions on trading hours, the Bank of Japan said it will continue to offer the exchange rates via its telephone service as of the same times, namely 9 A.M., 12 A.M., 1:30 P.M. and 3:30 P.M.

'Controversial' Philippine Port Project To Begin

OW2112060994 Tokyo KYODO in English 0500 GMT 21 Dec 94

[FBIS Transcribed Text] Manila, Dec. 21 KYODO—The Japanese and Philippine Governments have agreed to begin construction in January of a controversial Japanese-funded port project in southern Luzon, Japan Embassy officials announced Wednesday [21 December].

In a statement sent to news agencies, embassy officials said Japan's overseas economic cooperation fund has agreed to release 5.7 billion yen for the construction of the Batangas Port Development Project.

The construction of the port project in Batangas, some 85 kilometers south of Manila, was delayed due to the opposition of residents of the nearby village of Santa Clara who are to be evicted to make way for the project.

The residents refused to leave their homes, claiming the land is theirs. Close to 1,500 families will be displaced by the project.

At least eight people were hurt last June, including a 2-year-old boy, when residents clashed with a government demolition crew sent to tear down their homes. Two months later after the clash, Philippine President Fidel Ramos and Japanese Ambassador to the Philippines Yoshifumi Matsuda, along with several Philippine and Japanese officials visited the village to talk with the residents. Ramos appealed to the residents to support the scheme, one of the government's so-called "flagship" projects.

"If we get everybody's cooperation, this community will grow and will be provided with more than all the needs of the residents," Ramos told them.

Tokyo To Set Up Private Fund for 'Comfort Women'

OW1612130494 Tokyo KYODO in English 1246 GMT 16 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 16 KYODO—The government Friday [16 December] basically approved a policy aimed at setting up a private-sector fund as early as next spring to pay redress to foreign women who had been forced into prostitution for Japanese soldiers in World War II, government sources said.

The government plans to provide an appropriation for necessary preparatory costs for the fund in the budget for fiscal 1995 which starts next April 1, the sources said. The fund itself is to be set up mostly through donations by citizens.

A project team of the ruling coalition studying possible measures for Japan to atone for its wartime crimes urged the government earlier in the month to "cooperate as much as possible" for the establishment of the fund.

The government will decide details of the plan, including the ratio to be financed by the private sector and by government, in early January, the sources said.

If things go well, the fund, which may be as big as several billion yen, will be launched next spring and the payment of consolation money will start by the end of next year, they said.

However, some groups of former "comfort women" and their supporters strongly oppose the plan, saying the private fund will blur the issue of Japan's responsibility.

The government has continuously taken the position that the issue of war compensation and reparations was settled long ago through bilateral treaties and that it therefore cannot comply with requests from individual victims of atrocities for direct compensation.

Wisdom of Overseas SDF Rescues Questioned

952B0057A Tokyo ASAHI SHIMBUN in Japanese 12 Nov 94 p 5

[Editorial: "Dispatch of Self-Defense Forces Aircraft Leaves Doubts"]

[FBIS Translated Text] A revision of the Self-Defense Forces [SDF] Act has just passed which makes it possible to dispatch SDF transport aircraft for the purpose of rescuing Japanese who are left behind in "disasters" and "riots" in foreign countries. The government must be stricter than strict in applying it.

As the venue of the activities of Japanese expands in the world, the possibility also increases of emergency situations occurring in which their safety is threatened. The government claims that when that happens there are limits to placing hope of rescue on civilian aircraft alone.

The current revision states clearly that the safety of the dispatched aircraft will be a precondition for dispatching them, and, in principle, limited the SDF aircraft used in rescues to aircraft for government use. The application policy decided on by cabinet holds that fighter aircraft for protection will not be dispatched, and, as a whole, restrictions have been placed on the content compared with the bill which the Miyazawa cabinet presented to the Diet in the spring of 1992.

But even so, we are still left with doubts. The most important thing in applying it is probably how to certify safety. What the government has cited up to now when

advocating preparation of a law for rescuing Japanese are conflicts and civil wars, such as the Iran-Iraq war and the Gulf war.

The reason a guarantee of safety was made a precondition was the desire to avoid a situation in which it becomes necessary to use weapons because of an attack at the airport to which the aircraft are dispatched or to defend the aircraft from attack. Paradoxically, if such danger exists we cannot dispatch the SDF aircraft, so in the final analysis it ends up being not very different from the current situation of depending on civilian aircraft.

There was also the observation from a civil aviation expert that civil aircraft that were accustomed to flying in the local area would be safer and would more easily achieve the substance of a rescue. We think the government's explanation of why it was, nevertheless, necessary to open the way to dispatch of SDF aircraft was inadequate.

Self-Defense Forces aircraft have already been committed in peacekeeping operations and in Rwandan refugee relief based on the United Nations Peacekeeping Operations Cooperation Act.

The occasion for beginning to study in earnest the question of dispatch of SDF aircraft for the purpose of rescuing Japanese was the Gulf crisis of four years ago. After that as well, this question has been talked about in conjunction with the proper nature of "international contributions" by the Self-Defense Forces. The revision this time is probably not unrelated to the intention of the Ministry of Foreign Affairs and the Defense Agency to expand as much as possible the framework of SDF activities overseas.

The fact that the government's application policy ended without incorporating into the law restrictions on use of arms in the country to which the aircraft are dispatched, or the procedure for deciding to dispatch aircraft, also left concerns for the future. It is difficult to imagine, but because we can rescue Japanese, we worry that some day the argument will appear that we can also defend overseas Japanese assets.

There is another thing that we must consider. It is the irony of an era of coalition government when we managed to reform the law under a Social Democratic Party of Japan prime minister who in the past firmly opposed dispatching the Self-Defense Forces overseas.

This revision of the law became a reality because the content which the Hosokawa cabinet put together by incorporating the ideas of the SDPJ government party of that time was accepted by the Liberal Democratic Party which became a government party of the Murayama government. Even though there was a change in the basic policy of the SDPJ, is there not an aspect in which the fact that each of the parties which still have differences in their positions gave precedence to preserving the government of the time and compromised with each

other, thrust aside substantive debate on overseas activities of the Self-Defense Forces?

Even if the dispatch of SDF aircraft is for the humanitarian activity of rescuing Japanese, there is fear of inviting an unforeseen reaction in the locality by making vague the domestic legal system which prohibits military action overseas. If we consider that kind of political risk, first of all, collection of intelligence in the locality and accurate advice on evacuation are indispensable. We should give the highest priority to building a setup which makes full use of civilian aircraft, even if it becomes a situation in which rescue is necessary.

Vice Minister Hatakeyama Interviewed on SDF

952B0043A Tokyo *SECURITARIAN* in Japanese 1 Sep 94 pp 2-5

[Interview with Shigeru Hatakeyama, administrative vice minister, Japan Defense Agency, by unidentified interviewer; place and date not given: "Japan's Taboo, the Self-Defense Forces"]

[FBIS Translated Text] *For 50 years in the postwar period, the Japanese public enjoyed peace without giving any serious thought to the topic of security. However, now that the postwar period has come to an end with the end of the cold war, we now face the need for a new security concept with a view towards avoiding a state of affairs similar to that which existed in the prewar days.*

We spoke with the defense administrative vice minister in examining the substance of the issues which were considered taboo in Japan during the cold war period and questioned him on basic issues to be considered concerning Japan's security.

[SECURITARIAN] I feel that general public and mass media aversion towards the Self-Defense Forces [SDF] has diminished as the result of the successful completion of the Persian Gulf minesweeping operations and the Cambodian peacekeeping operations, but what are your thoughts on reasons why Japanese have avoided the issue of security which should be handled as a basic public issue?

[Hatakeyama] I believe there are a variety of reasons, but I basically feel the first cause lies with the actions of the government including the old military during World War II. The public as a whole has come to avoid the military to an extreme because of the lessons learned from the actions of the old military. The sentiment was specifically manifested in Article 9 of the Constitution. I believe the nation established provisions which forsake war in totality in a way that disavowed the presence of a military, convinced that anything associated with the military was evil, and went to extremes to avoid the SDF, which bore a resemblance to the old military and which was supposed to operate as a group to protect our nation.

The fact that generations who knew nothing of the war embrace the same sentiments is attributable to stories or teachings at home, textbooks available in general educational institutions, and the methods of instructors in the classroom. I also believe a major cause can be found in the negative arguments voiced during Diet debate to unnecessarily restrain the movements of the Self-Defense Forces. Further, we can point to the fact that there was no absence of emphasis by mass media to feature the negative aspects of such debate.

I feel another cause may have been the fact that both the Defense Agency and the SDF were very passive and withdrawn about the controversy stirred in both the mass media and the Diet. It appears the expansion of SDF peacetime missions has finally provided a basis for a gradual understanding on the part of the public and a growth in social tolerance for the SDF.

[SECURITARIAN] Many years of constitutional debate have been repeated on the unconstitutionality and constitutionality of the SDF, but recently I have felt the taboo against discussion of "constitutional revision" during discussions of security has disappeared. What are your thoughts on this point?

[Hatakeyama] Basically, I feel it becomes a problem if we attempt to prohibit debate on any issue whether it be the topic of the Constitution or the peacekeeping forces. I feel debate should be unrestricted whether it be the cabinet or any other body. The disposition to be taken on conclusions is another matter, but I feel we would exist in a dangerous society if prohibitions existed against proposals to hold discussions or against the conduct of discussions themselves. In that sense, it is probably a fine trend to pursue a course of gradual growth in discussions covering a variety of issues.

[SECURITARIAN] The suspicion that the Democratic People's Republic of Korea (North Korea) possesses nuclear weapons has had major repercussions in Japan, but what is Japan's status in the area of security systems relative to the nuclear issue?

[Hatakeyama] The nuclear issue is somewhat complicated. Currently, countries that possess nuclear weapons are implementing nuclear disarmament under the nuclear Non-Proliferation Treaty (NPT), while assuming a global stance that they will not recognize the possession of nuclear weapons by additional countries. In that situation, Japan has embraced the three nonnuclear principles, vowing that "it will not maintain, manufacture, or introduce" nuclear weapons, which means it will adhere to those principles in coping with the issue. Japan has for some time enjoyed the privilege of reacting within the framework of the so-called nuclear umbrella under the Japan-U.S. security system provided by U.S. nuclear restraining capabilities, which means that Japan's response to the nuclear issue from a security standpoint will not change even if a neighboring nation acquires nuclear weapons.

However, the case of North Korea is not limited to a pure nuclear issue, but extends to the issue of acquiring long-range missile capability through the use of conventional warheads, which must be considered from the standpoint of security. Needless to say, I believe both the probability and the possibility of North Korea launching missiles at Japan as reported by some in the press is remote and is something that must not take place. Since Japan does not have the capability to cope with ballistic missiles of that nature under its current defense systems, the issue of theatre missile defense (TMD) systems surfaced in talks with the United States. Although the development of TMD systems in the United States has progressed considerably, it is still in the research phase and Japan does not possess much in the way of information. Thus, we are faced with a situation where we will proceed with talks with the United States on an administrative level and conduct studies on future plans.

Since security calls for making preparations for the ultimate emergency, if it should come to the point where North Korea or any other neighboring nation possesses nuclear weapons, we must complete plans on the final response to be taken by our nation.

[SECURITARIAN] Legislation on emergencies tends to be treated as taboo by the Defense Agency and the public, but it appears that discussion of an emergency in the Korean peninsula take issue with the relationship between support to the U.S. military forces and legislation on emergencies. Are we going to be able to cope with a crisis even if legislation on emergencies remains incomplete?

[Hatakeyama] Research by the Defense Agency concerning legislation on emergencies has been limited to actions by our nation's SDF in the event of a defense deployment situation. Even if the North Korean issue should expand further, it would be difficult to visualize a situation in which the SDF would be called upon to deploy for defense purposes, indicating that situation would have no direct relationship with the issue of legislation on emergencies. The support of U.S. military forces at sea has no direct bearing on defense deployment of the SDF under research associated with legislation on emergencies. I believe that a clear distinction should be made of that point in considering this issue. In relation to research on legislation on emergencies, problem areas relating to laws and ordinances under the jurisdiction of the Defense Agency and problem areas relating to laws and ordinances under the jurisdiction of other ministries and agencies have been disclosed publicly on a combined basis, while areas where jurisdiction is unclear are being reviewed by the cabinet Security Affairs Office to determine jurisdiction. However, research on legislation on emergencies was not premised on legislation per se but purely to identify problem areas.

Research on legislation covering emergencies in the past has been premised on the theory that it would not lead to actual legislation, but we are faced with the issue of

whether it is acceptable to forego legislation. We need to give serious thought to the timing of legislation, but personally, I feel once we complete public and parliamentary debate, the issue should be advanced to the legislative stage. Security basically calls for preparations to cope with emergencies. We have completed work in providing for hardware such as tanks, aircraft, and war ships, and I believe there is a need to provide for software in terms of legislation. I find it difficult to understand the logic that it's okay to provide for the hardware, but unacceptable to provide for software to operate hardware. I believe we should conduct a thorough debate and refrain from considering the issue taboo.

[SECURITARIAN] Consideration is currently being given to the deployment of the SDF for service with the United Nations Disengagement Observer Force in the Golan Heights as the third PKO mission, but at first a variety of views surfaced on the deployment of the SDF and even now there are some who question the move. What are your thoughts on this point? Further, we are speaking of a case where, even though the five basic principles are met, the SDF will be serving in an area where fighting has erupted sporadically in the past and will involve the use of weapons in contradiction of concepts prevailing in Japan. Is this a case where we plan on accommodating the mission with the view of taking advantage of our lessons learned in Cambodia and Mozambique?

[Hatakeyama] PKO missions performed by the SDF are executed within the framework of the PKO Law voted into effect by Diet action and, I believe, should not pose any problem. When a request is received from the United Nations, the government makes a decision on the legality of the proposed deployment based on the five basic principles and other provisions of the PKO Law. I believe the SDF merely needs to philosophically perform its missions in accordance with decisions issued by the government.

When viewing the orderly performance of duties by SDF personnel in Cambodia and Mozambique via television or newspaper photographs covering PKO activities, individuals who thought of military units being deployed were probably in the minority and many people probably got the impression that the SDF was engaged in very peaceful work, contributing to global peace and stability. I believe it is a case where such exposure has contributed to the understanding of the SDF, with no negative impressions.

Despite the fact that weapons usage is covered by law, there is a tendency to become sensitive about the subject. However, the law defines the use of weapons for justified self-defense of one's life and should not be an issue at this time in connection with the Constitution.

It was once said that SDF personnel felt a heavy, insecure burden in that the use of weapons was subject to the judgment of individual personnel. This point is

covered in this year's Defense White Paper as one of the lessons learned from PKO activities, with the words, "A heavy psychological burden was imposed on unit personnel." However, in reality, the use of weapons is authorized only in very urgent situations, allowing no time for receipt of orders from a unit commander and making a decision by the individual an inevitable action. I believe such a situation is similar to the provisions of the SDF Law on public peace and order deployments where emergency escape and justified defensive actions are made at the discretion of the individual. Thus, I believe the education and training of SDF personnel should be continued on an orderly basis under past frameworks.

[SECURITARIAN] Speculation on the basis of the trend to question Japan's international contributions would indicate that there will be a higher probability that future PKO deployments will increase. Won't this become a burden on the SDF?

[Hatakeyama] Basically, the SDF engages in the performance of its inherent mission and conducts training that qualifies it to protect the country, thus enabling it to perform basic PKO missions. Notwithstanding, there are times when PKO missions require technical skills or capabilities that have nothing to do with national defense and require specialized training. However, the PKO Peacekeeping Law imposed a personnel deployment limit of 2,000. The limit was imposed to avoid any burden on the SDF, so there should be no problem in that respect. Further, there should be no problem whatsoever since it is not a case where we must respond to all requests, allowing for a decision after an evaluation of resources that can be made available.

[SECURITARIAN] Now that the cold war has ended, a review of SDF organizational structures and the "National Defense Program Outline" as well as a reduction of the authorized strength of the Ground Self-Defense Force (GSDF) are underway, but what does a review of the "Outline" entail?

[Hatakeyama] The Defense Issues Council did not engage in the task of reviewing the "Outline" and making a new "Outline," but discussed development of an entirely new approach to an outline that would provide a new direction for replacing the old "Outline."

The current "Outline" was developed 18 years ago in 1976. During that period, a change in the international situation took place, with the end of the East-West cold war symbolized in the collapse of the Soviet Union, while domestically we face the situation in which there will be a structural decline in the young population. Considering such changes, it would be inappropriate to continue with the current "Outline" without any changes, and we need to alter it to an outline that is more responsive to current trends. As an example, the current authorized strength of the GSDF is 180,000, but actual strength is 150,000, forcing unit training to be conducted with personnel deficits. The combat unit personnel fill rates are especially low, making for major deviations

between authorized and assigned strengths and inadequate execution of education and training programs and low morale.

Such problems dictate the need to restructure the defense resources of our nation so that they are compatible with the current age and provide a truly effective organization. The council report is rich in suggestions in that the council worked towards that goal in considering a fundamentally new direction. I believe the government or the Defense Agency will review the report and, if a decision is made that a new "Outline" is required, work will proceed towards that end.

[SECURITARIAN] What are your thoughts on actions that should be taken by the SDF to enhance the public's perception of security?

[Hatakeyama] I believe some degree of education and public relations efforts are required to establish an understanding of the SDF's missions. However, I believe it is more essential that the SDF demonstrate its value through mission accomplishments. When the mine-sweeping mission was successful, both domestic and international commentary was highly complimentary. The same was true of the Cambodian mission, and most likely the same will be true of the Mozambique mission. As Japan's global status rises and as individual citizens embrace the sentiment that our nation must make contributions, we should execute peaceful missions such as those in Cambodia in an orderly manner to enhance our reputation both domestically and internationally. I feel we have no choice but to accumulate performance by the SDF that will enhance the public's assessment of the SDF and wait for the resultant change in the way the public views the SDF.

Generally speaking, I believe it is a fact that the Japanese public has only limited interest in security and does not sense any intimate threat from emergencies. However, we have no way to implant a sense of crisis about emergencies in the minds of the public and in a way we should consider ourselves very fortunate to have been blessed with 40 years of peace. Perhaps a state of extreme euphoria exists in which the public completely lacks a perception of emergencies, completely mesmerized by the benefits of peace. However, I believe the SDF itself must engage in routine training and accumulate adequate resources with a view to preventing emergencies. I feel it is critical that the public understands that the SDF is a truly reliable organization committed to responding to emergencies.

However, I feel it would not necessarily be proper to instill in the minds of the public that there is a potential for our nation to face an emergency. In summary, it is probably a case where it would be acceptable for the SDF as the responsible agency for security to maintain, at a minimum, essential resources. It would be a problem if public opinion were such that it posed an obstacle to meeting that goal, but I feel it would certainly be a nation with an unfortunate history if each individual citizen

had to be conscious of the potential for emergencies. It would be acceptable that we moved gradually to a situation where the public regularly maintained an awareness of the potential for emergencies, but I question the need to force such an awareness on the public. I believe we can rely on a spontaneous trend in the development of sensitivities towards security.

[Boxed item: **Shigeru Hatakeyama**. Born 1937. Graduate of Law Department of Tokyo University. Employed by the Ministry in Finance [MOF] in 1961. Served in positions such as MOF budget officer and Banking Bureau Audit Department chief. Since 1988, served as Japan Defense Agency defense councilor, Personnel Bureau director general, Finance Bureau director general, and Defense Policy Bureau director general. Appointed to current position in June 1993.]

Lack of Adequate SDF Equipment, Training Noted

OW1912114894 Tokyo SANKEI SHIMBUN in Japanese 15 Dec 94 Morning Edition p 3

[Second in three-part series entitled "Japan's Defense Capability Losing Its Substance" by editorial writer Akihiko Ushiba: "Hearty Eater; No Adequate Equipment and Training"]

[FBIS Translated Text] "Firing Training Held After a Long Interval. Bullets Were Actually Fired. We Could Not Believe Our Eyes. [Tamani Utsu. Tamaga Detanode Buttamage.]" This is a senryu poem [17-syllable satirical poem] written by a senior official of the Maritime Staff Office who is in charge of preparing budget requests. The poem is accompanied by an illustration depicting an escort ship firing torpedoes, missiles, and quick-firing guns all at once as soon as a captain, who is leaning over the bridge, issues an order. The illustration depicts a scene in which a startled crewman jumps up, saying: "We fired...!"

There is a well-known senryu which goes: "Firing Training Held After a Long Interval. The Only Problem Is That We Do Not Have Enough Bullets. [Tamani Utsu. Tamaga Nainoga Tamanikizu.]" Both poems are trying to say that the Self-Defense Forces [SDF] were and still are suffering from a shortage of ammunition. However, that is not the only reason for the crewman in the cartoon being surprised in a slightly exaggerated manner.

Needless to say, the Ground, Maritime and Air Self-Defense Forces have begun to operate their equipment less frequently [sobi no kadho ritsu] following significant cutbacks in their maintenance and repair costs. The Maritime SDF partially canceled its "preventive maintenance [yobo seibi]," which had taken place on a regular basis. A perplexed senior official of the Maritime Staff Office said: "We cannot do anything if the equipment breaks down after we get out to sea. We cannot stop conducting preventive maintenance on the hull, engine, and other fundamental parts of our ships. However, we

cannot help but perform 'countermeasure maintenance [taisho seibi]' on our weapons." Since countermeasure maintenance involves repairing a weapon after it breaks down, it is possible that a bullet may not come out of the weapon even if an order to "fire it" is issued.

After 1993, the total flight time per pilot was reduced to 150 hours per year. This is more than 10 hours less than that of the previous year. It is 240 hours in the United States and 180 hours for the NATO and the ROK. The difference is surprisingly large. The main cause for the decline can be attributed to the fact that "necessary maintenance cannot be done due to the shortage of repair parts," (according to a senior official of the Air Staff Office). The same official said: "Although maintenance costs are being reduced each year, the prices of replacement parts are going up every year by about three percent. We are using parts which we normally have to replace every four weeks for six weeks at a time. There is nothing else we can do about it." Pilot skills are declining to a dangerous level too.

Tank parts in stock have also dropped to one-third of the normal amount. A senior official of the Ground Staff Office expressed his concern, saying: "We may have to use only two tanks out of three if the situation continues as it is now." Some of the tanks, although expensive, are steadily becoming useless.

Training expenses, which were not enough to begin with, have already been reduced to the minimum in the past two years. The impact of the budget reduction will clearly be felt even if a 0.9 percent increase is secured for the next fiscal year. For example, the Ground SDF will halt regiment tank trainings starting fiscal 1995. They will be reduced to the level of company drills. Long-range firing exercises, which 15 battalions are carrying out a year, will be reduced to two battalions. The Maritime SDF will also reduce the number of its troops, dispatched to the United States for training, to as much as two-thirds of its current size. Moreover, it will reduce the number of torpedoes for ships, submarines, and airplanes by 271. The Air SDF significantly reduced the scale of its missile-firing training. The average number of missiles a pilot can fire will be reduced to only one every seven years. This means that some fighter pilots will not be able to fire missiles for the rest of this century. Not allowing the training of self-defense forces is as bad as telling Sumo wrestlers not to practice. Power and skill levels will inevitably decline. There is a possibility that the SDF, sooner or later, will become nothing but a mere "hearty eater."

If that becomes true, the SDF will have no morale or discipline. "So far, we are barely maintaining our capabilities, thanks to the experiences we have accumulated over the years," said a captain of a battleship. Nevertheless, the rate of operating weapons [sobi no kado ritsu] will further decline and the SDF will not be able to train adequately. If we continue to fail to recruit new members to fill up vacancies, it will be "impossible to tell SDF

personnel to refresh their minds and regain fighting spirit," (according to a senior official of the Air Staff Office).

STA Report Calls For More Nuclear Safety

*OW2012024994 Tokyo KYODO in English 0153 GMT
20 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The Science and Technology Agency [STA] on Tuesday [20 December] submitted to the cabinet its 1994 nuclear safety report calling for greater care to ensure safety in nuclear installations.

The report, submitted by the agency's Director General Makiko Tanaka, called attention to the gap in the level of safety awareness regarding nuclear facilities between Western democracies and former Soviet-bloc nations, which it noted face serious problems as a result of ignoring the need to invest in safety measures.

The report devoted one chapter to the activities of the International Atomic Energy Agency (IAEA), the Vienna-based antinuclear arms proliferation watchdog, and other international agencies concerned about the need to ensure safety at nuclear installations.

These agencies' activities, such as arranging new international pacts on nuclear safety, have bolstered the international community's awareness of the need to ensure security in the handling of nuclear material and installations, it said.

Need To Stem 'Hollowing Out' of Economy Stressed

*OW2012145594 Tokyo YOMIURI SHIMBUN in
Japanese 14 Dec 94 Morning Edition p 6*

[FBIS Translated Text] Shoichiro Toyoda, chairman of the Keidanren [Federation of Economic Organizations of Japan], gave a lecture on 3 December to a symposium on international economics which was held at the Japan Press Center in Uchisaiwai-Cho, Tokyo under the auspices of the YOMIURI SHIMBUN.

In his lecture, Chairman Toyoda pointed out four aspects of the hollowing out facing the Japanese economy and stressed a sense of crisis felt in Japanese circles. In his lecture, he also stressed the need to promote reforms through deregulation and the importance of the role that Japan has to play in the Asian and Pacific region.

Explaining four aspects of the hollowing out, he said: 1) the "hollowing out of the manufacturing industry" that has been caused by the relocation of industrial production to foreign nations following the yen's drastic appreciation; 2) the "hollowing out of finances" that has been caused by many regulations on financial markets and high costs; 3) the "hollowing out of technology" that has been caused by a lack of people with creativity and originality; and 4) the "hollowing out of information" that has been caused by a delay in constructing a regional airport where personnel, goods, and information are

exchanged. He also added that the Japanese economy is now going through such hollowing out. He concluded that if Japan fails to put an end to such hollowing out through political and economic changes, it will be difficult to build a society of senior citizens that is affluent and full of vitality, while achieving steady economic growth.

Asserting that "the relaxation of regulations is the most important task in adjusting the Japanese economy," he stressed that although the relaxation of regulations entails certain discomforts, including the pain of laying off employees, the government should come to grips with the issue of relaxing regulations from a long-term perspective.

During a question-and-answer session held after his lecture, Chairman Toyoda said that the housing, information, and telecommunications sectors will grow into new industries and generate new technologies to put an end to the hollowing out of the Japanese economy.

Survey Finds Industrial 'Hollowing Out' 'Unlikely'

*OW2112095394 Tokyo KYODO in English 0847 GMT
21 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The yen's rise is pressing Japan's manufacturers to step up investment abroad mainly to Asian nations, but an industrial "hollowing out" is unlikely, the Export-Import Bank of Japan said Wednesday [21 December].

Most manufacturers are taking the yen's rise "positively as a good chance" to boost overseas direct investment which is needed to keep competitiveness in line with global trends, a bank economist said in a briefing on a yearly survey.

Brushing off major concerns over a domestic hollowing out on an outflow abroad of production bases, he said the survey showed most companies are planning to maintain their labor forces by focusing on "value-added products" at home.

Polling 700 major companies with 382 responding, or 54.6 percent, the survey indicated that 68.3 percent of the respondents are taking a positive approach in boosting their overseas direct investment.

The yen's rise is boosting direct investment abroad at 53.7 percent of the respondents, while 36.0 percent see no effects and only 10.3 percent intend to lower investment.

But 91.3 percent see no effect on their advanced technology, and 64.8 percent expect no labor problems, with 43.4 percent pointing to production operations at home for new value-added products absorbing the excess labor force.

The survey also showed that the ratio of exports to domestic production remains intact, from 19.3 percent in fiscal 1994 to 19.6 percent in fiscal 1997 [years as received], although the ratio of overseas production to overall production rises from 17.5 percent to 21.6 percent.

The bank economist said this suggests corporate confidence over competitiveness in advanced products.

The survey showed that direct overseas investment in fiscal 1994 will rise 9.3 percent from the previous year to 858.48 billion yen at 298 comparable companies, a sharp upward revision from a 6 percent fall projected in the survey last year.

As for fiscal 1995, it will fall 3.2 percent to 311.24 billion yen based on a limited 168 companies, but the figure is expected to post a sharp upward revision toward a higher growth as automobile, electric equipment and other leading industries have yet to offer their plans, the economist said.

Looking three years ahead, 67.0 percent of the respondents said they plan to promote direct investment abroad, continuing an upward trend for three surveys in a row, and 80.6 percent of them intend to boost investment amount.

On an industry basis among those planning to boost investment, electric machinery and equipment makers accounted for 22.0 percent to lead other industries, followed by auto and auto parts makers at 17.3 percent.

The Asian region was most favored by companies planning to increase spending over three years, accounting for 72.5 percent of country targets.

China led with 29.5 percent, followed by the Association of Southeast Asian Nations at 24.7 percent.

On a longer-term plan of 10 years ahead, China retained the lead with 265 companies listing the country as one of the major targets.

Vietnam followed with 114 companies, rising from 34 companies in the three-year plan, and India with 38 companies and Mexico with 25 appeared higher up in the top 10 targets.

Economy To Increase Recovery Pace Toward 1996

OW2112003594 Tokyo KYODO in English 2314 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The Japanese economy will increase its pace of recovery toward 1996, while that of the OECD area as a whole will show steady growth, the Organization for Economic Cooperation and Development (OECD) said Wednesday [21 December].

The Paris-based organization said the growth of Japan's gross domestic product (GDP) in 1995 is "projected to remain slow," at an annual 2.5 percent in real terms, due to continued declines in the volume of net exports. But in 1996, GDP growth will reach 3.4 percent, "moving above the medium-term trend of output," the OECD said.

As for 1994, the organization said Japan's economy is "now recovering" and will show a 1.0 percent growth in GDP, rather than the 0.8 percent predicted in June.

The forecasts came in the OECD's biannual economic forecast, based on data collected by Nov. 9 from its 25 member nations.

For the group economies as a whole, it also predicted "steady growth, without a revival of inflation." The overall GDP is forecast at 2.8 percent in 1994 in real terms, 3.0 percent in 1995 and 2.9 percent in the following year.

The projections for Japan remained unchanged from the organization's survey of the nation's economy alone, released in early December.

As for detailed forecasts for Japan, the organization said the nation's domestic demand will grow 3.2 percent in 1995 over the previous year, with growth in private consumption at 4.1 percent and that in corporate spending at 1.4 percent.

For 1996, it projects that Japan's domestic demand will further increase by 4.0 percent. Growth in private consumption is predicted at 4.4 percent and corporate spending growth at 4.1 percent.

The calculation is based on the assumption that the yen moves against the U.S. dollar at an average rate of 96.40 yen.

The organization said the main downside risk is the continued strength of the yen on foreign exchanges that "could cause companies to pursue their cost containment strategies."

Another such risk stems from banks which still have weak balance sheets, it said, because this may affect their lending policies toward small enterprises.

There is, however, an upward risk, it also said, noting improving corporate profitability and the significant progress in stock adjustment seen recently.

The OECD said all of its member nations should further improve their public finances.

The ratio of the gross public debts of OECD countries as a whole to their GDP could increase from an average 68 percent in 1993 to 74 percent in 1996, it said.

Japan's public debts will be "well above that average," at 88 percent, along with Italy's 126 percent and Canada's 96 percent, the OECD said.

As for monetary policy, it said "The appropriate time for moving rates to an upward path appears to be some way off" because virtually no inflation exists and further upward pressure on the yen would be unwelcome.

EPA Report Discusses State of Economy

OW2112095494 Tokyo KYODO in English 0811 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—Overcoming employment problems and promoting stock adjustment at companies are important to put the Japanese economy on a full-recovery track, the Economic Planning Agency said Wednesday [21 December].

After hitting bottom in October 1993, the economy has been tracing a recovery course at a slow pace, the agency said in its annual economic report for 1994.

The sluggish speed is attributable to a severe employment situation and long-term adjustment of capital-goods inventories at companies, the agency said.

In the current phase, personal consumption is favorable, it said, while taking a prudent view on investment in plants and equipment.

In the past stage, capital spending marked notable growth but is unlikely to post strong recovery in the present phase, it said.

Stock adjustment in machinery has nearly ended and could increase, while that in buildings remains serious, the agency said.

Previously, recovery was led by external demand and an increase in exports followed by one in imports, the agency said.

However, a different phenomenon is now taking place, it said. Despite the yen's rise and prolonged recession, imports of manufactured goods have been expanding, and the impact on domestic production could gradually strengthen, it said.

Particularly notable is a sharp increase in imports of low value-added products, reflecting an international division of manufacturing procedures, the agency said, adding that the trend is likely to continue.

Japan's real gross domestic product (GDP) rose by a seasonally adjusted 0.8 percent in the January-March quarter from the previous quarter, 0.2 percent in the April-June period and 0.9 percent in the July-September quarter.

Personal consumption is recovering slowly due to stock adjustments in durable goods, price drops, income tax cuts and an unusually hot summer, the agency said.

Sales of passenger cars, electronics goods and other durable consumer goods showed signs of improvement, as did consumers' mind [as received].

Industrial production is also gradually increasing in spite of ongoing inventory adjustment and firms are promoting restructuring efforts, resulting in hints of recovery in corporate business results, the agency said.

Domestic demand was supported by an increase in construction of private housing from the year before and firm public investment, it said.

But the employment situation, especially in the manufacturing sector, remains severe, it said.

The ratio of job offers to job seekers stood low for seven consecutive months from January before rising slightly in August and the unemployment rate has stayed at a high level, it said.

Shinshinto Registers With Upper House

OW2112063694 Tokyo KYODO in English 0518 GMT
21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The newly formed opposition Shinshinto (New Frontier Party) registered Wednesday [21 December] as a new parliamentary group in the 252-seat House of Councillors with a strength of 35 seats.

Shinshinto, which was launched on Dec. 10 in an attempt to wrest power from the current ruling coalition, already registered in the 511-seat House of Representatives on Dec. 15 with a strength of 178 seats.

Twelve upper house legislators of the now-defunct opposition party Komeito [Clean Government Party] who did not join the Shinshinto bloc registered a new parliamentary group called Komei on Wednesday.

Komeito divided earlier this month into two groups, one of which has merged into Shinshinto. The other formed Komei, which consists of 12 upper house members whose seats will be up for grabs in next year's upper chamber poll, local assembly legislators and local party members. Komei is to be integrated into Shinshinto by 1998.

Table of Diet Strength

OW2112065294 Tokyo KYODO in English 0520 GMT
21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The following is a table of parliamentary strength in both houses of the Diet following the registration of Shinshinto and Komei with the House of Councillors on Wednesday [21 December]:

House of Representatives		House of Councillors	
ruling coalition			
LDP	200	LDP	95
SDP	72	SDP	68
New Party Sakigake	21		
Opposition			
Shinshinto	178	Shinshinto	35
JCP	15	Shin Ryokufu Kai	16
New Democratic Club	5	Komei	12
		JCP	11
		Niin Club	5
		Shinto- Goken Lib- eral	5
Independents	17	Indepen- dents	5
Vacancies	3	Vacancies	0
Total	511		252

21 Percent of Pollees Support Shinshinto*OW2112091294 Tokyo KYODO in English 0812 GMT
21 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—Just more than 20 percent of the people responding to a survey said they support the large opposition party Shinshinto (New Frontier Party) launched Dec. 10 by merging six noncommunist parties, a KYODO NEWS SERVICE opinion poll said Wednesday [21 December].

Asked which party they support, 20.7 percent of the respondents picked Shinshinto compared with the 28.9 percent who backed the ruling conservative Liberal Democratic Party (LDP).

The results were based on nationwide interviews Dec. 17-18 with 3,000 people aged 20 or older, of whom 2,070 or 69 percent responded.

The approval rating of Prime Minister Tomiichi Murayama's coalition government was 47.7 percent, down 0.2 percentage point compared with a previous KYODO survey conducted in September.

The disapproval rating was 40.8 percent, down 0.3 percentage point.

Murayama, chairman of the Social Democratic Party (SDP), became Japan's first socialist premier in almost half a century in June by forming the coalition with the LDP and new party Sakigake [Harbinger].

In the previous KYODO poll, the approval rating for Murayama was 47.9 percent while the disapproval rating was 41.1 percent.

According to the new survey, 32.6 percent of those who approve of the Murayama cabinet cited lack of a better alternative as a reason.

Also, 28.0 percent said they trust Murayama and 19.4 percent said they are satisfied with the three-party coalition.

Among those who did not support the government, 20.7 percent gave as a reason Murayama's lack of leadership capabilities, 19.9 percent said the coalition of three parties and 13.3 percent pointed to the difficulty of realizing political reform.

Shinshinto's support rate of 20.7 percent is higher than the 19.4 percent obtained in the previous survey as a total of the support rates for its six predecessors—Shinseito [Japan Renewal Party], Komeito [Clean Government Party], the Japan New Party, the Democratic Socialist Party, the Liberal Party and New Party Mirai.

The LDP's support rate of 28.9 percent was also up from 27.8 percent in the previous survey.

As the second largest share, following the LDP, 26.4 percent answered they support no party in particular, down from 26.9 percent.

The support rate for new party Sakigake fell to 3.9 percent from 4.9 percent.

The Japanese Communist Party's support rate rose to 2.8 percent from 1.7 percent.

Shinshinto's Nakano on Timing of Diet Elections*OW2112105894 Tokyo KYODO in English 0857 GMT
21 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—A top official of the policy board of the newly formed opposition party Shinshinto (New Frontier Party) said Wednesday [21 December] said he would like to see the next House of Representatives election held separately after the election of House of Councillors scheduled next summer.

Kansei Nakano, chairman of the party's policy committee, said in an interview with KYODO NEWS SERVICE that the acts of dissolving the lower house and holding elections "should take place at a time so as not to invite political chaos or stagnation."

The next general election is to be held by July 1997.

Shinshinto was launched Dec. 10 through the merger of major noncommunist opposition parties in an attempt to wrest power from the current ruling coalition of Prime Minister Tomiichi Murayama.

Murayama Approves SDPJ Convention on 21 Jan*OW2112113094 Tokyo KYODO in English 1104 GMT
21 Dec 94*

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—Prime Minister and Social Democratic Party (SDP) [of Japan—SDPJ] Chairman Tomiichi Murayama, reversing his earlier stand, gave the go-ahead Wednesday [21 December] for a special party convention Jan. 21, which could lead to the creation of a new party, officials said.

Murayama gave the approval in a meeting with Chief Cabinet Secretary Kozo Igarashi, also a senior SDP member, the officials said.

Murayama had long expressed doubts over holding such a party congress just before Diet debate starts on the fiscal 1995 budget.

He had reasoned that an SDP decision at the proposed party convention could undermine his administration.

Proponents of the special convention said the SDP, a partner to the three-way ruling coalition with the Liberal Democratic Party and new party Sakigake [Harbinger], should transform itself into a new party as part of the ongoing political realignment in Japan.

SDPJ Efforts To Form New Party Discussed*OW2112105994 Tokyo ASAHI SHIMBUN in Japanese
19 Dec 94 Morning Edition p 2*

[FBIS Translated Text] On 18 December, the Social Democratic Party of Japan [SDPJ] held a meeting,

attended by representatives of its prefectural headquarters, and approved a plan designed to form a new party by mobilizing the whole party. Because of this, it can be said that the concept of forming a new party made "one step progress," (according to the SDPJ Executive Department). So far, this concept has not progressed beyond the boundary of discussions among dietmen. The SDPJ plans to hold an extraordinary party convention early next year to debate on the concept of forming a new party. Because of this, there is a growing opinion within the SDPJ that the danger of party dissolution has been avoided for the time being. Now that the concept will be discussed in detail, however, the SDPJ's Executive Department has shouldered a heavy burden of leading the discussions within the party while showing concrete plans for forming the "third political force." It seems that leadership of Prime Minister Tomiichi Murayama, who is chairman of the SDPJ, and Secretary Wataru Kubo will be tested.

Since the SDPJ and its local organizations have started to take actions for realization of the concept, there is a growing view within the SDPJ that "party unity will be maintained," (according to an SDPJ Executive Committee member). The SDPJ members thought that the "New Democratic League" chaired by Sadao Yamahana, which calls for an early formation of a new party, would rebel against the SDPJ leadership, giving impetus to a movement to secede from the party should there be no outcome at the meeting. However, the hurdle is still high for the SDPJ to realize the concept by mobilizing the whole party. The first focal point is a Central Executive Committee meeting, which will be held on 22 December. There remains a possibility that activities of the New Democratic Coalition's radicals—including dietmen from Hyogo Prefecture who have already submitted to the SDPJ Hyogo Prefectural Headquarters letters of secession from the party—may be reactivated if the Executive Committee meeting fails to approve the holding of a "party convention in January."

Regarding the outcomes of the representatives' meeting, Yamahana's close associates are expressing their dissatisfaction, saying: "The meeting did nothing but delay its decision on the issue. A course of forming a new party has not been clarified. We will follow the prearranged plan." So far, Yamahana has been saying that he would keep an eye for the time being on how the Executive Department will treat the issue. At the same time, he has been maintaining a stance of seceding from the party if the Executive Department becomes negative about forming a new party. He is not giving up an alternative of "seceding from the SDPJ and forming a new party."

At the 18 December meeting, however, the representatives hardly expressed their opinions supporting the New Democratic League, which calls for "formation of a new party in January." Originally, the New Democratic League was composed of radicals and moderates. It is inevitable that the radicals will feel more than before that they are isolated.

Meanwhile, the Liberal Democratic Party [LDP], which is the SDPJ's partner in the government, is steadily preparing itself for the next general election while the SDPJ members are having a quarrel among themselves.

On the basis of its fundamental policy that "the LDP will win the majority in the general election," (according to LDP Vice President Keizo Obuchi), the LDP will tentatively select candidates, who will run on the LDP ticket, before the end of this year. The New Frontier Party also plans to select its own candidates this year. The SDPJ will be crushed by the two major parties unless it establishes a stance of mobilizing the entire party as soon as possible.

Prime Minister Murayama, in his speech at the end of the 18 December meeting, said that "the Murayama administration and the SDPJ are bound together by common fate." The confusion within the party, if it continues as it is now, will have some impacts on settlement of pending issues, including budget deliberation at the Diet for the new fiscal year and administration reform. It seems that future of the Murayama administration will be determined by leadership the prime minister and Kubo will show in forming a new party.

Government To Promote Bureaucrat Exchanges

OW2112064594 Tokyo KYODO in English 0522 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The government decided Wednesday [21 December] on a plan to promote exchanges of bureaucrats to broaden contacts among government ministries and agencies.

The government intends to have young employees work at least twice outside their own ministries and agencies for a certain period before taking ranking posts, government officials said.

Under the program, an employee will be required to work for another ministry or agency at least once in addition to service at an international organization, a local autonomy or private enterprise, the officials said.

To carry out the plan, the government will adopt such measures as creating new posts within ministries and agencies for around three years beginning next fiscal year.

The program also aims to promote exchanges of senior officials among ministries and agencies, the officials said.

The cabinet is expected to give its approval to the program on Thursday.

Pressure on Budget Compilation Process Examined

952A0166A Tokyo NIHON KEIZAI SHIMBUN in Japanese 15-18 Nov 94

[Unattributed article in four installments: "Footsteps of Increased Government Spending—Collapse of Fiscal Year 1995 Fiscal Discipline"]

[15 Nov 94 p 5]

[FBIS Translated Text] Strong Tailwind in Support of New Improved Rail Trunk Lines—Transportation Policy Neglected

The Murayama cabinet gave priority to the "promotion of administrative reform." It will soon reach a point where it will undergo the crucial test of whether it can proceed with bold fiscal cuts and related reductions as it engages in the serious business of compiling the fiscal year 1995 budget in the face of a difficult fiscal situation. However, all that is heard from behind the scenes about the struggle with the complex intermingling of political, bureaucratic, industrial, and local constituent interests for coverage in the budget are the strong beats seeking unsound expansions in spending. It seems as if the course being pursued is far removed from the path of fiscal reform. This series will examine the overheated struggle taking place over the budget.

Pep Talk Given by Minister Himself

"Unless we succeed in preparing a meaningful budget, I will not vote for its approval during the cabinet meeting," is the "declaration" made by Transport Minister Kamei during talks with employees of the Railway Bureau in the office of the transport minister in the latter part of October. The minister gave a pep talk to the administrative authorities who will engage in negotiations with the Ministry of Finance [MOF] for the purpose of emphasizing that he does not intend to make easy concessions on proposals for new construction associated with the new improved rail trunk lines.

Of the total of five routes comprising the nationwide new improved trunk line, approval for additional construction work has been issued for only three routes and five sections including the Takasaki-Nagano section of the Hokuriku trunk line. Ever since he assumed his current position at the end of June, Transport Minister Kamei has tenaciously sought approval to begin work on related projects for which decisions were not made by the Hosokawa administration.

The coalition parties, including the Liberal Democratic Party [LDP], which would like to demonstrate their influence as members of the ruling parties, are in favor of initiating work on the projects. Taizo Nozawa, LDP House of Councilors member and member of the New Improved Rail Trunk Line Study Committee, speaks ambitiously of expanding public works spending, saying, "Countries such as Germany have made bold investments in the construction of railways. We should be able to provide funding which is appropriate for national projects such as the new improved rail trunk line."

Officials of the Ministry of Transport [MOT], who would like to use the new improved rail trunk line as a lever for expanding the MOT's share of public works projects, have hope in the influence of the coalition parties and the minister of transport, saying, "We will

have made quantum progress if we win approval to start work on those sections where projects have been frozen."

It seems like a major chorus has been organized to call for promotion of construction projects. However, it is definitely a situation in which the prevailing view is that "level-headed debate" on fiscal issues, justification for each of the five routes, and timing of construction work is lacking, and that political maneuvering is taking precedence.

Fiscal Resources Remain To Be Identified

In November, the New Improved Trunk Line Study Committee of the coalition parties launched a serious debate on fiscal resources. However, each of the fiscal resource ideas still lacks specifics and practicality and, according to New Party Sakigake [Harbinger] Diet member and chairman of the study committee Yuichi Takami, the situation is such that "there are no practical plans that can be recommended by the study committee at this stage." The question is, how will construction funds be created in an amount in excess of 5 trillion yen for work that is yet to be begun. It is necessary to answer this question before approval is issued for the projects.

Although lacking a practical plan to create necessary fiscal resources, the position—favoring partial implementation and an "ongoing" study by the government and the coalition parties about work on the uninitiated projects—will involve 1) initiation of limited work on certain elements of the project, such as rail stations and difficult tunnel construction; 2) assumption of responsibility for costs on those projects by the central government, local governments, and JR [Japan Railways]; 3) continuation of studies on the preparation of construction plans for the five routes as a whole.

Such an approach will enable Transport Minister Kamei to fulfill his public commitment that "We will begin work in those sections where work has not begun." Sources point out that limiting the work to be begun will hold near-term overall project expenses to several billion yen to tens of billion yen and "enable the execution of the projects without imposing a major impact on fiscal year 1995 budget compilation work."

However, it is clear that such an approach will not produce a fundamental solution to the new improved rail trunk line issue. Although initiation of work on sections where work had previously not been started without establishing the source of future funding or without a clear-cut plan could be termed an irresponsible option, even within the government, there is doubt as to whether "public approval can be obtained on spending tax revenues for unplanned projects where there is no definite outlook as to when the routes will be operational."

Public Will Foot the Bill

Construction expenses for the new improved rail lines total 2.2 trillion yen for the five sections of the three lines

that are already completed, and 5.2 trillion yen for that portion that is yet to be built. However, these figures are based on prices as of April 1993; if rising costs such as for labor are considered, the figures would be higher. A realistic case is the construction of the Takasaki-Nagano section of the Hokuriku route, which is now expected to cost 800 billion yen, 40 percent more than the initial estimates. Views are being expressed within the ruling parties that "there are limits on fiscal resources and there is no telling what the costs will be. We need to give priority to putting the finishing touches on those sections where basic construction work is completed."

An examination is yet to be performed on the necessity of those sections where work has not begun. For example, 90 percent of those who travel between Tokyo and Hokkaido do so by air. Even if the new trunk line is built, it will be difficult to operate profitably if we target Hokkaido residents. One wonders if there is a need to expedite the construction of the Hokkaido new trunk line, when MOT officials are expressing the view that, "under current circumstances, it would be more efficient to improve airport facilities, rather than to build the new trunk line."

Transportation commentator Ryohei Kadomoto mentions that such controversy is "lacking in an effort to win the approval of taxpayers and users by the conduct of a study and publication of data on cost factors such as public works spending and transportation fees, and operating costs and revenue after the routes become operational." Recent activities on the new improved trunk lines can be termed political game-playing to win budget allocations without the benefit of public input.

Already we hear comments like that of an LDP Diet member who says, "Future fiscal resources for construction can be taken out of the upcoming 5-percent hike in consumption taxes." In essence, the bill will be delivered to the public.

[16 Nov 94 p 5]

[FBIS Translated Text] Agriculture and Forestry Zoku Pursues Surpluses Created by 6 Trillion Yen Funding

"Until final decisions are made on the budget at yearend, we have the option of engaging in maneuvers," were the words of ruling party agriculture and forestry zoku members, including Maki Murasawa, Social Democratic Party of Japan [SDPJ] House of Councilors member, who have been displaying more than the usual amount of tenacity in connection with the fiscal year 1995 budget compilation project. They show signs that they will not retreat even one step in connection with the allocation of 6.01 trillion yen for the six-year agricultural projects established as measures to cope with the liberalization of rice imports under the Uruguay Round.

Existing Projects Not To Be Curtailed

The agriculture and forestry zoku Diet members, who won approval of 6.01 trillion yen through steamroller

tactics, intend to carry the momentum into negotiations on the fiscal year 1995 budget. The agriculture and forestry zoku Diet members have gained strength from the fact that the ruling party obtained a commitment from the MOF when the decision was made on the agriculture countermeasures that "consideration will be given to avoid an impact on past agriculture and forestry budgets." Enjoying the moral support of such support groups, Minister of Agriculture Okawara displays strong assertiveness in saying, "We will certainly not take any action that would involve the cutting of existing budgets."

In stark contrast to the lively activities of the efforts of the ruling party and the Ministry of Agriculture, Forestry, and Fisheries [MAFF] to win approval of their budget proposals, no signs are visible of Japan's future agriculture policies for the post-Uruguay Round period. Just as the case was when the decision was made on the 6.01 trillion yen in agricultural countermeasures, it appears the struggle in connection with the fiscal year 1995 budget will again lack vision.

MOF arguments that "implementation of new agricultural countermeasures should be premised on cuts in existing programs since existing budgets already include liberalization countermeasures," will be prone to be drowned out in the face of onslaughts by ruling party agriculture and forestry zoku and the MAFF.

Excess Funding Becomes Difficult To Spend

"We have won approval for large-scale agricultural countermeasures in the amount of 6 trillion yen, but will we be able to handle projects of that magnitude?" These are the words of concern recently voiced by leaders of agricultural organizations. Public works project spending in the area of agricultural civil engineering involving soil improvement totaled about 1.85 trillion yen in fiscal year 1994. The recently approved projects in this area in connection with the Uruguay Round will total 3.55 trillion yen or the equivalent of more than one-half current spending in this category. If the newly approved ceiling is imposed on the existing programs without cutting the latter programs, the net result will be an annual increase of about 600 billion yen.

More than half of the rice paddies in Japan have been renovated under soil-improvement projects. Regions that dealt with the projects aggressively have virtually finished work in this respect, and the remaining regions where work remains to be done are largely those where intraregional coordination could not be completed. Adding additional project funding does not necessarily mean that improvements can be sharply accelerated.

Internal industry sources such as agricultural organization leaders have begun to comment on the fact that countermeasures are not compatible with the real circumstances, saying, "The situation may result in the inability to accommodate all of the proposed spending." One farmer of Kamigoe-shi, Niigata-ken, expresses his

unhappiness, saying, "Soil improvement projects levy a heavy burden on farmers and the conditions imposed preclude future sales of the farm land." However, when faced with a decision, many local government organizations and agricultural organizations refuse to comment, "because they will upset the MAFF," and the past pattern of an inflated agricultural budget repeats itself. A MAFF official's remark that, "Being criticized for pork-barreling is the highest honor for a MAFF-associated Diet member," reflects a cultural situation unique to Japan.

Sudden Change Leads to Assignment of Priority

Projects such as irrigation, drainage, and improvement of farmland, which are overly dependent on government subsidies, have been the frequent target of criticism for wasteful spending and relatively high costs, but audits that could explore the problem in depth have been neglected. There is the view that countermeasures concentrating on measures and public works projects to reduce the regressive debt burden of farmers which is unrelated to productivity improvement goals are given priority to ensure that local constituents become the beneficiary of pork-barrel efforts and to emphasize the presence of politics.

Agriculture and fisheries-related budgets represent close to 10 percent of the government's general account expenditures. In contrast, the share of the agriculture, forestry, and fisheries industries output as a percentage of the gross domestic product (GDP) is a mere 2.1 percent. Even the Agriculture Policy Research Council report of July 1994 strongly called for a "management policy" to boost agricultural productivity and to promote independence from subsidies.

Last year's Financial System Council report positioned the agricultural budget "as the target of highest priority for restraining spending." However, along with the last change in administrations came a reversal of that position, providing highest priority to the sector and validating the words of the likes of LDP Diet member Toshikatsu Matsuoka directing, "Discard the restraint rating of 'C' and assign the high priority of 'A.'"

Even MAFF bureaucratic officials take an aggressive stance, saying, "Fiscal cuts that were targeted at the agricultural budget are a thing of the past," and it appears that the ballooning of agricultural countermeasures without public consent will be unavoidable in connection with the fiscal year 1995 budget negotiations.

[17 Nov 94 p 5]

[FBIS Translated Text] Welfare Budget Full of Inconsistencies and Inequities

"I received confirmation from the MOF that 50 billion yen was not all of the welfare budget." These are the words that Seiichi Eto of the LDP and chairman of the then-ruling party Welfare Project Team used on 27

September to stress the point to a project member in the House of Representatives Diet Member Building No. 1.

No Objection to Expansion

When the tax system outline was approved to implement a 5-percent consumption tax from fiscal year 1997, a face-saving measure for the ruling party SDPJ was a "payoff" in the form of the suggestion that about 50 billion yen in government funding would be added to the fiscal year 1995 welfare budget. According to the explanation by Eto, the MOF made a commitment that the 50 billion yen would be supplemented by an unspecified sum.

The Ministry of Health and Welfare [MHW] in this summer's estimated budget request asked for about 3 trillion yen for senior citizen health and welfare measures spending and children's and household measures spending. Additionally, the MHW asserts that a separate budget of 400 billion yen will be required if additional programs are implemented, such as the promotion of construction of special senior citizen homes, a "new senior citizens' health and welfare promotion 10-year plan (New Gold Plan)" including a major increase in home aides for in-home care, and an "integrated plan for aiding child-raising (Angel Plan)."

It is obvious that the 50 billion yen "payoff" offered when the tax system outline was approved will be insufficient. However, the MHW has assumed an aggressive stance as it faces the budget compilation process at the end of the year, saying, "We will negotiate tenaciously with a view to securing the maximum possible budget." This is the case because both the ruling and opposition parties have no room to spare for objecting to expansion of welfare programs which are popular with the public which is seen as definitely siding with the MHW on the issue.

However, lack of confrontation between ruling and opposition parties exposes the welfare budget to the risk of inadequate scrutiny. As Keio University professor Naomi Maruo states, "Both ruling and opposition parties believe that increases in welfare budgets are acceptable which means that the budgets are inefficient and are not treated with a view toward cost-consciousness," leaving them replete with inefficiencies, inconsistencies, and inequities.

Old Persons' Homes Occupied by "Individuals With Assets"

"Some individuals who are residents of old persons' homes have large bank deposits totaling 10-12 million yen or own expensive real estate." These are the words of the head of a special senior citizens home in Tokyo's Tama district in questioning the presence of such "asset-owning" inmates.

The fees charged residents of special senior citizens homes are determined on the basis of the residents' income irrespective of assets. Current residents are being

charged an average of about 36,000 yen a month. Even those who own a large amount of assets are charged the same fee. On the other hand, pensions are not restricted after residents are admitted to the homes. Residents of senior citizens homes have far lower expenses than those who remain in private homes and who must pay for all expenses associated with the individual's care except home aide fees, thus inspiring the criticism that treatment between the two categories is not equitable.

Some, such as Nippon Women's College professor Yasuko Ichibangase, mention that "estimates of individuals who need nursing care are probably excessive" in connection with the increase in welfare budgets. The MHW estimates that the number of senior citizens needing nursing care will increase from about 2 million today to 2.8 million in six years and 5.2 million in 30 years.

However, the National Federation of Senior Citizen Clubs claims that the welfare budget can be reduced significantly by implementing a program of physical activities to prevent people from becoming bedridden. About 75 percent or 6.25 million of the federation's members participate in the physical activities program. The federation estimates that if 1 percent of those participating in the physical activities program can delay the onset of dementia or being bedridden for one year, there will be a corresponding decrease in the number of patients entering special care homes, translating into a savings of 250,000 yen per patient per month and an overall reduction of 187.5 billion yen per year in welfare spending.

"Prevention" Is Efficient

Mention has been made for some time that senior citizens who participate in club activities have a tendency to incur lower medical expenses than those who do not, and medical specialists take the view that preventing people from becoming bedridden is not an impossible proposition. Instead of increasing the budget with the assumption that the number of senior citizens needing nursing will increase, we have the option of taking the potentially feasible approach of "allocating funds for the prevention of dementia or being bedridden and subsidizing regional senior citizen activities."

There's also the aspect that medical costs are rising sharply because the senior citizen nursing system is underdeveloped and bedridden senior citizens are being cared for in ordinary hospitals. There is a need to develop budgets that assume an integrated perspective not only covering welfare but the medical area as well.

Based on such circumstances, as stated by Sakigake member Asahiko Mihara, "Welfare programs cannot be excluded from administrative reform," a review has been initiated of welfare programs from the standpoint of efficiency. The fiscal year 1995 budget is being used as a vehicle to eliminate budgetary waste and inequities

under limitations of the low-growth economy in an effort to expand welfare programs with an eye on efficiency.

[18 Nov 94 p 5]

[FBIS Translated Text] Domestic and Foreign Pressure Exerted on ODA

At the 9 November session of the Financial System Council's (advisory organ of the MOF) Special Committee on Reducing Spending, MOF officials repeatedly stressed their stand on official development assistance (ODA) for fiscal year 1995 in the words, "We will not be able to continue with the high growth rates of the past."

"Moves To Take Advantage of Situation" Expand

The MOF is keenly concerned about the potential for a greater than usual expansion in the ODA budget, which has been treated as a sacred sector in the name of international contributions, because of pressure being exerted by domestic and foreign sources.

Domestically, the MOF faces a change in the political climate. The Murayama administration, which was installed in June, is trying to distinguish itself by strongly advocating "international contributions of a nonmilitary nature with ODA serving as the centerpiece," in contrast to the position preferred by a segment of the last coalition administration which called for "a normal nation that can make military contributions." In establishing the estimated budget ceiling in July, the MOF had contemplated a growth rate in the 5-percent range, but the nature of the current administration influenced the situation and the coalition parties pushed through a final growth rate of 7.7 percent.

Further, the estimated budget requests submitted in August by 18 ministries and agencies for ODA reflected a growth rate of 7.8 percent and total funding of 1.1461 trillion yen. The requests were based on a "move to take advantage of the situation" under the assumption by the requesting ministries and agencies that, "approval will be forthcoming if submitted under the pretext of ODA-related budgets."

Increasing hope is being placed on Japan for economic recovery aid in connection with new international developments such as relaxation of tensions in Asia and progress in Middle East peace. The advent of maneuvering to "develop new sectors" in an effort to expand their influence in the aid programs by "international zoku Diet members" poses the major potential that the ODA budget will expand on an unprincipled basis not only in fiscal year 1995 but on a long-term basis.

Inquiries About North Korea

An example is the Democratic People's Republic of Korea (North Korea). Work is about to begin on the details of a financial aid program to be sponsored on a multilateral basis including Japan to convert that nation's nuclear power plants to light-water reactors,

which would make it difficult to produce nuclear bombs. This particular project will not be categorized as ODA, but any improvement and normalization of Japan-North Korea relations will increase the potential for consideration of ODA grants.

Corporate sources who look forward to future deployment in North Korea are already exercising interest in "who will take the initiative in extending aid to North Korea." Rumors are circulating that "one of the creators of the multilateral aid concept was former Prime Minister Noboru Takeshita. Takeshita has influenced a favorable decision concerning North Korea," leading to reports of early inquiries relative to aid to North Korea.

There is also the potential that U.S. government actions reflected in the words of the likes of U.S. Commerce Under Secretary Garten such as, "We will be interested in Japanese moves in the ODA area," will serve as a factor in expanding ODA spending. There are views such as that of Keio University professor Atsushi Kusano who comments, "The U.S. Government, which has begun to stress participation in the Asian and Chinese markets, has a goal of arranging for Japanese expansion of ODA in the region so that U.S. corporations can benefit by selling materiel to the aid programs." In the latter part of October, U.S. Commerce Department officials made an informal visit to Japan and conducted talks on ODA with [Hiroshi] Hirabayashi, director of the Ministry of Foreign Affairs' Economic Cooperation Bureau.

U.S. Motorola is well known for its efforts at liberalization of markets for cellular telephones and it is highly aggressive in selling equipment in Asia. One of the company's officials occupies a senior position in a committee that debates ODA issues which, in turn, is part of the U.S. Chamber of Commerce and Industry in Japan exercising strong influence over U.S. trade policies. Many Japanese sources consider such arrangements to be evidence of the strong interest in ODA shown by U.S. sources.

Amidst increasing domestic and foreign pressure, officials at the Ministry of Foreign Affairs stress, "We are convinced that approval is forthcoming for a growth rate comparable to the last fiscal year which was 4.8 percent." The government's medium-term target for total ODA spending for the five-year period beginning in 1993 is \$70-75 billion, but it will be difficult to reach that amount, because total actual spending in 1993 was about \$10.5 billion, indicating a slowdown in spending. The Ministry of Foreign Affairs is concerned about this trend.

Opaque Bidding Process

The ODA budget has grown to a point where it is proudly referred to as ranking first on a global basis—equivalent to 10,000 yen per capita—but criticism is frequently heard in reference to the opaque bidding systems which surfaced in connection with the collusion issue and aid programs which are not compatible with the needs of recipient nations.

Japan faces a need to prevent haphazard growth in aid based on domestic and foreign pressure on the one hand, while as a major economic power it needs to develop ODA programs that are worthy of appreciation on the part of recipient nations.

Government To Increase Expenditures for Farmers

OW1912144594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 16 Dec 94 Morning Edition p 1

[FBIS Translated Text] The government has mapped out a 6.01 trillion yen package of agricultural measures to help farmers cope with the opening of the Japanese market under the Uruguay Round agreement, and the measures will be implemented for six years beginning in 1995.

The government and the ruling coalition parties are making final moves toward coordinating their opinions in the direction of including approximately 447 billion yen mainly for public works projects in the 1994 supplementary budget and approximately 51.5 billion yen for the farmland productivity improvement project and other projects in the 1995 budget as the first year's expenditures for the agricultural measures. The total amount of the projects is 1.009 trillion yen.

Both the government and the ruling coalition parties intend to reveal their stance on taking steady and concrete measures for agriculture in the first year by securing more than one-sixth of the total expenditure amount of 6.01 trillion yen. While the ruling coalition parties and the Ministry of Agriculture, Forestry and Fisheries [MAFF] plan to secure most of the expenditures for the package of agricultural measures under an "extra budget" in supplementary budgets after 1996, the Finance Ministry is refusing to go along with their plan, saying that such a budgetary formula runs counter to the principles of finance. Hence, last-minute negotiations will continue between the MAFF and the Finance Ministry until shortly before 20 December, when the latter makes an internal decision on the budget for fiscal 1995.

The agriculture, forestry and fisheries project team and the Policy Coordination Council, which consists of officials in charge of agricultural affairs, have held a series of meetings. On 15 December, the ruling coalition parties endorsed the MAFF's plan to secure nearly half of the first year's expenditures for the agricultural measures from the 1994 supplementary budget after receiving a briefing from the MAFF on the agricultural measures.

A continuing decline in tax revenues is expected to make it difficult to secure financial resources. Therefore, approximately 300 billion yen for public works projects—including the project for streamlining agriculture—will be secured in the 1994 supplementary budget and approximately 75 billion yen for the project for improving the agricultural structure including the renovation of agricultural infrastructure secured by issuing government construction bonds.

In the 1995 budget, 10.5 billion yen will be included to implement farmland projects aimed at financially assisting leading farmers expand their farmland holdings through local farmland corporate organizations, and 17 billion yen will be included to cut the financial burdens of farmers who will be making their efforts in increasing the productivity of farmland.

The ruling coalition parties, dietmen who champion agricultural interests, and the MAFF at first demanded a sharp increase in expenditures for the agricultural measures in the 1995 budget in a bid to restore the slightly lowered share of the project for streamlining agriculture in the public works projects in the 1994 budget. With each ministry and agency forced to comply with its tough ceiling on the budget request, however, the ruling coalition parties and the MAFF backed down from their demands for a sharp increase and concluded that it would be rather wise to secure the necessary expenditures for the package of agricultural measures by using an "extra budgetary formula." The ruling coalition parties are saying, "We intend to continue to compile supplementary budgets after 1996 in a bid to secure most of the expenditures for the package of agricultural measures in those supplementary budgets." They are poised not to allow any cuts in expenditures for agricultural measures in the 1994 supplementary budget.

The Finance Ministry is reacting against the move by the ruling coalition parties, claiming: "It was reasonable to include urgent and necessary minimum expenditures in the supplementary budget as originally intended. However, it is absurd to argue for including expenditures for the agricultural measures in the supplementary budget every year." The Finance Ministry is also insisting that some of the continuing public works projects be used as new projects for the agricultural measures and expenditures for the agricultural measures to be appropriated in every year's budget. The ruling coalition parties, the MAFF, and the Finance Ministry need to coordinate their opinions on how to handle the first year's expenditures for agricultural measures.

Bumper Rice Harvest Could Lead to Production Cuts

OW2012021894 Tokyo KYODO in English 0150 GMT 20 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 20 KYODO—The harvest from rice paddies per 10 ares or 1,000 square meters stood at a record high in 1994 due to this year's fine weather, the farm minister told a cabinet meeting Tuesday [20 December] morning.

Taichiro Okawara, minister of agriculture, forestry and fisheries, said crop from paddies per 10 ares totaled 544 kilograms, exceeding the past record of 517 kilograms in 1984.

The 1994 rice production index was unchanged from an earlier one announced Oct. 15, at 109 against 100 for an

average year. The rice harvest was up 4.15 million tons, or 53 percent, from the previous year to 11.96 million tons.

The bumper harvest, together with the leftover from the recent emergency rice imports, is expected to lead to 2 million tons of stockpile by the end of October next year.

The rice surplus is not likely to be alleviated amid weak consumer demand for rice and the rice imports that Japan will make next year as agreed under the Uruguay Round accord, experts say.

To cope with the surplus, the government plans to ask farmers to scale back rice production by further 80,000 hectares in addition to the already planned 600,000 hectares.

Rice Dealers To Extend Distribution Channels

OW1912033794 Tokyo NIHON KEIZAI SHIMBUN in Japanese 12 Dec 94 Evening Edition p 1

[FBIS Translated Text] National organizations of rice wholesalers and retailers are moving to establish or reinforce their own rice distribution channels. Their new distribution routes will be designed to function under relaxed rice dealing regulations in preparation for effectuation of the new Food Control Law in November 1995. Those organizations are seeking an appropriate balance between rice prices and supply-demand trends in the market because the government-approved free distribution rice still has price restrictions. They are also planning to positively deal with "informal distribution rice," or so-called black-market rice, and their moves may boost a reorganization of rice distribution involving rice farmers.

The Tokyo-based Japan Rice Wholesalers Association [JRWA] will start brokering rice for its roughly 60 member wholesalers as early as January. The JRWA will announce the for-sale and wanted information to its members twice a month through fax or other media. Under the revised law, the JRWA will expand trading of the informal distribution rice.

The National Federation of Rice Marketing Cooperatives Association [NFRMCA], Japan's largest rice wholesalers' organization, currently brokers trading among wholesalers in Tokyo and Osaka once every two-month period. This practice will be expanded to Kyushu and other regions after the effectuation of the revised Food Control Law, and the NFRMCA's brokering will become larger and more frequent.

The Federation of Japan Rice Retailer Associations [FJRR] also plans to broker rice for its estimated 40,000 member retailers as soon as the new Food Control Law takes effect. The service is expected to be eventually offered to wholesalers and agricultural cooperatives, and it is believed that several wholesalers have already contacted to the FJRR as to their participation in the program. In the future, deregulation is likely to

merge several rice distribution channels into one huge market removing barriers among farmers' associations, wholesalers, and retailers.

Under the existing Food Control Law, rice trading among wholesalers must be reported to local Food Agency offices and retailers are prohibited from selling rice to other retailers; however, those restrictions will be abolished in the revised law.

Inadequate Tests Cause Satellite Launch Failure

*OW1912070394 Tokyo ASA.1 SHIBUMUN in Japanese
13 Dec 94 Morning Edition p 1*

[FBIS Translated Text] Japan failed to launch its first two-ton technical-experiment satellite, the Kiku-6, into geosynchronous orbit in August due to the failure of a compact hydraulic engine. A special investigation committee (chaired by Hiroshi Maeda) of the Space Activities Commission [SAC] looking into this compiled a report based on data from the National Space Development Agency [NASDA] on 12 December, and it concluded that defects in a newly developed valve controlling the supply of fuel and oxidizers simultaneously was the main cause.

In addition to this report, the investigation committee will hold further discussions on the overall space development system and give a final report to the SAC. A considerable number of committee members point out that the failed satellite launch occurred due to inadequate comprehensive ground experiments.

NASDA has already determined through ground simulation experiments that unexpected vibrations affecting the satellite during the launch, an instance of mechanical locking in the vacuum environment in outer space, and the freezing of the pressure homogenizer triggered the trouble. The investigating committee consisting of 18 independent experts basically agrees with this conclusion.

However, it was learned from the investigations conducted so far that the propellant valve of the compact engine in question did not undergo actual operational tests in ground verification experiments under a super vacuum similar to the heat environment found in space. The prevailing view among committee members is that while this could be very expensive and would require sophisticated technology, it was not impossible to do.

While ground combustion tests on the engine were conducted at the altitude test facility used in the development of the LE-5 engine of the second section of the H-2 rocket, there was overconfidence in the engine's performance in a significantly different degree-of-vacuum situation and environment. The committee believes that this basic thinking was overoptimistic.

It was further discovered that the defective valve was simply stored after "development was completed" three years ago. During this period, defects were found in the

super heat-resistant alloy of the LE-7 engine of the first section of the rocket, and the development of the H-2 was delayed for two years. The detailed design of the valve was not reviewed, however.

In view of these facts, some committee members submitted a position paper stating: "The program was unprofessional in that a crucial experiment was undertaken using a device that had not been tested even once. While the budget admittedly was inadequate, being penny-wise and pound-foolish was not the right thing to do."

As of 12 December, the direct cause of the launch failure is believed to be the unexpected vibration during the launch, resulting in a slippage of the spring of the propellant valve and the locking in a super vacuum of a part that ought to glide. This was aggravated by erroneous design. The piston that opens the valve stopped midway, resulting in only one-tenth of the expected lift-off thrust. Furthermore, liquid hydrazine, which has a freezing point lower than water, was used in pressurizing the piston. When attempts were made to vaporize the liquid to close the valve, freezing occurred in certain sections of the pipes, blocking the pipes and thus failing to close the valve. This prevented a second attempt at ignition.

Draft on Future Information Society Unveiled

OW2112034594 Tokyo NIHON KEIZAI SHIMBUN in Japanese 13 Dec 94 Morning Edition p 2

[FBIS Translated Text] On 12 December, the final draft of a recommendation worked out by a group of private experts under the government's Headquarters for Promoting the Creation of Advanced Information and Telecommunications Society (chief: Prime Minister Murayama) came to light. The finishing touches were put on the first draft, and the final draft will be submitted to a joint meeting of the headquarters scheduled for 13 December. The prime ministers and other cabinet members will also join the meeting.

The recommendation proposes that the government join the Global Information Infrastructure (GII) plan, which is designed to set up an information super-highway network all over the world while accomplishing a Japanese-version of the "information super-highway" plan by 2010 designed to connect the government, business firms, and homes with each other by setting up advanced information and telecommunications infrastructure. Taking into consideration the financial authorities' position, the final draft says "It is necessary to carry out the plan in an effective manner, keeping in mind that with outstanding national bonds exceeding 200 trillion yen [Y], current financial conditions are tough.

The following is a summary of "basic idea toward creating an advanced information and telecommunications society" prepared by a group of private experts:

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1) Significance of creating advanced information and telecommunications society.

2) Roles of the governments and private sector in creating an advanced information and telecommunications society:

a) Although the government's assistance to the private sector is needed, "It is necessary to carry out the plan in an effective manner, keeping in mind that with outstanding national bonds exceeding Y200 trillion, current financial conditions are tough." Basically, the plan should be promoted under the private sector's initiative, and depending on the situation, necessary assistance by the government should be considered.

b) Taking into consideration the importance of establishing an information and telecommunications infrastructure, it is important to pay attention to such important projects as establishing an information infrastructure in allotting the budget under the current financial condition wherein the government is faced with cumulative debts totaling Y200 trillion.

c) Given such severe financial conditions, "A basic investment plan for a public works projects" announced in October specifies that the government will effectively make Y630 trillion-worth of investments, particularly in areas that can help promote efforts to create an advanced information society. Taking into consideration the fact that in the United States, the establishment of infrastructure began with the governments' funds, and the private sector has made use of the infrastructure, the Japanese Government should work out and announce a comprehensive and concrete plan as early as possible.

3) The way government should be in creating advanced information and telecommunications society.

a) Necessity of promoting a comprehensive and systematic plan.

Recent Bail-Out of Credit Associations Examined

MOF, BOJ Plans Discussed

952A0230A Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Dec 94 P 3

[FBIS Translated Text] On 6 December, in one room of the Bank of Japan [BOJ] Hikawa Dormitory, Ministry of Finance [MOF] Banking Bureau Director General Nishimura and Bank of Japan Director Kojima waited for three bank presidents who had been invited to the room on a staggered basis. The purpose was to obtain their approval of the disposition proposed for the Tokyo Kyowa Credit Association and the Anzen Credit Association which had been developed confidentially.

The three invited officials included President Morikawa of the Sumitomo Bank which serves as lead bank for the Federation of Bankers' Associations of Japan, President Hashimoto of the Fuji Bank, which is the designated financial institution servicing the Tokyo government,

and President Horie of the Long-Term Credit Bank of Japan, which serves as the main bank for the EIE Group which triggered the operational difficulties encountered by the two credit associations.

Bureau Director General Nishimura addressed the bank presidents who entered the room by saying, "The loss of deposits was so rapid that we could not overlook the situation. We will establish a new bank to take over the assets and liabilities of both credit associations, and close them. Of the 40 billion yen capitalization for the new bank, the BOJ will invest 20 billion yen and we want private-sector banks to provide the remaining 20 billion yen."

Further, it appears that Bureau Director General Nishimura and others in the group asked President Horie of the Long-Term Credit Bank of Japan, which had some degree of involvement with the operational crisis at the two credit associations, to assume responsibility for about 20 billion yen in losses aside from its share of private-sector banks' investment in the new bank.

The three bank presidents did not conceal their surprise at the entirely new scheme, but it is said that they agreed to the request for the purpose of maintaining order in the credit markets. At that point, a decision had been made on the relief actions, but some city banks were not notified until the day of the public announcement on 9 December out of fear of premature news leaks.

The operating crisis at the two credit associations surfaced in July 1993, when the Long-Term Credit Bank of Japan suspended its aid to EIE. The MOF and BOJ felt it was only a matter of time before the credit associations faced failure, and coordinated the development of a disposition plan. Of special note is that the BOJ formed a project team and conducted a detailed study of modern and historical cases of bank failures throughout the world.

The original pattern for the bail-out bank approach used in this case came from a case that was used to dispose of failed institutions following the financial crisis of the late 1920's and early 1930's. In that case, regional financial institutions which had failed in Gunma, Miyazaki, and Iwate Prefectures underwent major mergers in which the prefectural governments contributed capital and reestablished credit. Those actions led to the establishment of the current Gunma Bank, Miyazaki Bank, and Iwate Bank. Except for stock held in the Iwate Bank by the prefectural government, stock in the other banks was sold after restructuring and each bank has become totally privately owned.

Cases of foreign banks used as reference included the purchase by Finland's central bank of the nation's fourth-ranking Skope Bank in 1991. This was a case where, unlike other in North European countries where the government invested directly in financial institutions, the political situation would not permit such an approach and the central bank made the direct investment.

Studies of this nature seem to have produced a decision in the fall of last year to go with the recent plan as the best approach. However, execution of such an approach required nearly one year. It was difficult to assess the impact on other financial institutions because of the lagging economy and there was some hesitation on the part of both credit associations to proceed with the action which was tantamount to the restructuring of a failed bank despite the fact that they had violated regulations on issuance of major loans.

The Tokyo government, which has supervisory authority over the credit associations, did not take any action until this summer when it stepped in to perform on-site audits. In the interim, deposits and loans at both credit associations had ballooned sharply. The reason is that they were attracting deposits with high interest rates. As of the end of September 1994, deposits had increased 1.5-fold over figures for the end of March 1993 of 82.1 billion yen at Anzen and 85 billion yen at Tokyo Kyowa, and the new deposit funds are said to have gone to EIE-affiliated firms as additional loans.

The audits revealed that almost all of the loans made by Anzen Credit Association to about 20 firms such as golf course development and hotel ventures affiliated with EIE were in default and irrecoverable. Additionally, the audits became public information and a run on the deposits of both credit associations began, draining 20 billion yen in deposits from Anzen alone. The run on credit associations led to the decision by executives at both credit associations that "independent restructuring" was impossible and paved the way for liquidation of both credit associations and establishment of a new bank.

On 8 December, the day before the public announcement, officials such as Hisashi Kokubo, Tokyo Metropolitan Labor and Economic Bureau chief; Yukio Kitazume, Commerce and Industry Planning Bureau chief; and Seiji Aikawa, credit association management improvement councilor, remained in the metropolitan government offices from the evening until late at night to prepare for the press conference. The Tokyo metropolitan government officials had begun to feel some sense of relief in that the capital contribution of the BOJ precluded the need to face the worst situation of being forced to pay off the deposits.

Editorial on Limits of Bail-Outs

952A0230B Tokyo YOMIURI SHIMBUN in Japanese
11 Dec 94 p 3

[Editorial: "Limitations of Japanese-Style Bail-Outs"]

[FBIS Translated Text] Section 25 of the Bank of Japan [BOJ] Law has been invoked for the first time in 30 years since the BOJ special loans made to Yamaichi Securities and Oi Securities during the securities panic.

This is a case where the BOJ will establish a "bail-out bank" capitalized with funds from itself and private-sector financial institutions to aid two credit associations in the Tokyo area which had failed because of reckless management.

The fact that the BOJ exercised its final measure as a central bank in the form of the "lender of last resort" in order to maintain order in the credit markets demonstrates the strong sense of crisis held by the Ministry of Finance [MOF] and the BOJ concerning the current financial system which is plagued by problems such as huge bad loan holdings.

We would like to interpret the actions as unavoidable emergency measures. However, frankly speaking, we cannot help but sense a residual feeling of malaise in the repeated use of such tepid Japanese-style solutions.

There's probably some basis for the MOF assessment that the public's self-accountability perception has not matured enough to take what would appear to be the more clean-cut approach of allowing financial institutions to fail and to pay off depositors up to 10 million yen under the Deposit Insurance System.

We can understand the assertion that the action was not taken to aid the two credit associations, but for the protection of the innocent depositors. It was also natural that the concerned authorities were afraid that the failure would trigger a chain-reaction giving rise to financial instability, and that foreign opinion of the Japanese financial system would suffer.

However, in the case of the failed Tokyo Kyowa and Anzen Credit Associations, abnormal loans were made to firms operated by Tokyo Kyowa Credit Association's chairman of the board which have turned into huge defaulted loans. The question becomes, if the MOF and BOJ should come to the aid of financial institutions of this nature, will they not be obligated to aid all financial institutions that fail in the future?

We should not forget history wherein, at the end of the 1920's and the beginning of the 1930's, the BOJ made unlimited loans to banks that had fallen on hard times, bank managers lost their sense of accountability, fell into a state of irresponsibility, and caused a serious situation and the collapse of credit markets.

The collapse of the bubble economy has eliminated the reserve strength of major banks which have aided and absorbed mergers of failed financial institutions. Japanese-style aid methods have definitely reached their limits under the current climate of deregulation. We are probably not too far from the point at which financial authorities will have to make some "serious decisions."

Needless to say, we must expedite the disposal of huge bad loans which represent a destabilizing element in the financial systems and establish an environment which

will preclude other financial institutions and depositors from taking excessive reactionary measures or chain reactions.

We also need to make public disclosure of the operating conditions of financial institutions so that the information can be used to make judgments and enhance the depositors' sense of self-accountability.

We should also consider the adaptation of the "early corrective action system" implemented by the United States several years ago. The system authorizes financial authorities to rank financial institutions based on their net assets and to force the closure of those financial institutions whose net assets fall and become failure risks. The system also prevents the spread of instability in the credit markets and enables the limiting of rescue funds in the form of public funding to a minimum.

At the same time, we should probably establish the equivalent of the U.S. Resolution Trust Corporation to purchase and dispose of bad loans of closed financial institutions.

We should not allow immunity for those managers of financial institutions who engage in reckless management under the guise of "maintaining order in the credit markets."

Editorial Urges Review of Special Tax Breaks

952A0168A Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Nov 94 p 2

[Editorial: "Let's Decisively Reduce Special Tax Measures"]

[FBIS Translated Text] For tax reform in the next fiscal year, the coalition governing parties' project team for tax reform set forth the direction of reducing special tax measures. But counterarguments centered on the Liberal Democratic Party are also strong, so the extent to which it will become a reality is very doubtful.

Special tax measures means specially reducing, for specific policy objectives, the taxes for specific individuals and companies that meet the conditions. At present there are really all sorts of special tax measures in such forms as tax exemptions, income exemptions, or extra depreciation; the amount of reduction in tax revenue each year because of this tops 1.46 trillion yen to income tax-related revenue and more than 430 billion yen in corporate tax (based on the initial budget for the current fiscal year).

These special tax measures were established as exceptions by bending the basic tax principles of simplicity, neutrality, and fairness, so review is constantly required.

For example, the largest monetary amount is the tax system which promotes home ownership (just under 550 billion yen in the current fiscal year); is it rational, with a land situation like that in Japan, to continue a policy that gives specially preferential treatment to privately

owned houses? Is it satisfactory not to put our efforts into providing medium and high-rise apartment houses as is general in European countries? It probably should be debated a great deal in the future as a problem of housing policy.

But what we want to particularly make an issue of here is special tax measures for companies. It may be thought that the amount of money involved is not important compared with that for individuals, but many of the special measures have existed for a long time, so the cumulative amount of tax reduction becomes very large. If we organize the problem points of special tax measures for corporate tax they will probably come out as follows:

First, once one implements a special measure it becomes a vested interest, so it becomes impossible to abolish it even if the policy objective is achieved or ceases to be suitable for the times. Second, the administration side has a strong tendency to use them as a means of preserving and strengthening its authority, so they become a hotbed of the so-called adhesion of government, bureaucracy, and industry.

Third, they are more opaque than annual expenditure, because both the specific items and the monetary amounts are difficult for the public to see.

The oldest special tax measure that exists today is a preferential measure on depreciation for a specific hotel which was established in 1949. The object of this was the new construction and equipping of a hotel at which foreigners could stay under the U.S. military occupation. It remains today. You must not be surprised at this. Eighteen items were established more than 30 years ago; and items more than 20 years old actually reach all of 45.

The reason special tax measures, which by rights should be legislation with a time limit, have remained for all of 20 or 30 years is that the policy objective itself is mistaken, or there is a problem in the policy means of using the tax system, or it has become politically impossible to abolish it because it has become a vested interest.

Drastic review and drastic reduction of special tax measures are also indispensable from the viewpoints of administrative and fiscal reform and relaxation of regulation. We hope that companies, too, will have a posture of appealing to the public to lower corporate taxes after having surrendered the special measures. For the government and governing parties also, an attitude of getting along by espousing slogans as a general overview will not be excused. Just as with relaxation of regulation, it is necessary to present a schedule of concrete reductions.

Decentralization Plan Retreats From Proposals

OW2112120894 Tokyo KYODO in English 1116 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 KYODO—The ruling coalition parties approved Wednesday [21 December] a set of legislative proposals to transfer part

of the national bureaucracy's powers to local governments, but the proposals represented a sharp retreat from a government panel's original recommendations, government sources said.

Prime Minister Tomiichi Murayama's administration is set to approve the adulterated proposals without reviving the spirit of the panel's original proposals Sunday, the sources said.

The proposals, referred to in government circles as "the outline of decentralization proposals," has been publicized by the administration as a central pillar of its policy goals.

The outline, a copy of which was obtained by KYODO NEWS SERVICE on Wednesday, stopped short of calling for abolition of the current system under which central government ministries can order local governments to shoulder a share of duties that usually fall within the responsibility of the central government.

The government panel consists of academics, including Masaru Nishio, a professor at the University of Tokyo, and Hyogo Gov. [governor] Toshitomi Kaibara, and the chiefs of a number of prefectural governments. The panel's original recommendations were submitted Nov. 18.

In the course of deliberations involving ruling party members and bureaucrats, a crucial clause advising Murayama on concrete decentralization measures, which had been included in an earlier report, was deleted from the outline, the sources said.

The deleted clause called for establishing an independent watchdog panel on decentralization and giving the panel authority to order compliance by recalcitrant government ministries with its recommendations on decentralization.

Although the toned-down proposals still provide for the establishment of a new panel, the crucial clause on granting supervisory authority to the panel was deleted under pressure from central government bureaucrats, the sources said.

The outline, approved by the coalition parties, says an upcoming panel on the promotion of decentralization is only to be allowed to "present opinions" to help the government work out decentralization guidelines and measures.

Following Sunday's expected cabinet endorsement, the government plans to quickly sketch out a bill modeled after the "outline" and submit it to the regular Diet session that convenes Jan. 20, the sources said.

The Home Affairs Ministry, which had been a chief proponent of decentralization measures, recently backpedaled from its progressive stance out of fear of antagonizing other government ministries, ministry sources said.

"It would not be to our benefit if Kasumigaseki started an all-out assault on us," a ministry executive said in reference to the geographical name of Tokyo's hub of government buildings.

Under Japan's bureaucratic system of highly centralized government authority, government ministries and agencies are endowed with an extensive array of powers to regulate the engagement of private businesses in certain operations or activities.

The authors of the outline also stopped short of specifying the date by which the decentralization plan must be hammered out, nor that by which specific areas of central bureaucratic authority would have to be transferred to local governments.

When government officials work out the concrete contents of the bill, they will come under even harsher pressure from government ministries and agencies, the sources said.

North Korea

Paper on ROK-Japan 'Cooperation System'

SK2112044894 Pyongyang KCNA in English 0434
GMT 21 Dec 94

["Dangerous Military Tieup"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 21 (KCNA)—A training fleet of the South Korean puppet navy composed of a frigate and other warships reportedly anchored at Tokyo port on December 19 for an "official visit" to the Japanese Naval "self-defence force" [SDF] and a fleet of the "SDF" will pay "a return visit" to South Korea in the future.

This proves that the "cooperation system" and military tieup between the Japanese reactionaries and the South Korean puppets are being zealously promoted at a very dangerous stage in various aspects, notes NODONG SINMUN in a commentary today.

The analyst says:

The Japanese reactionaries are trying to realise their wild ambition for reinvasion without difficulty by playing on the South Korean puppets' fever of "unification by prevailing over communism". They scheme to raise the curtain of overseas aggression in Korea by using the South Korean puppets as the guide.

It is widely known a fact that the Japanese reactionary ruling quarters openly reveal their intention to send "Self-Defence Forces and start "an operation to rescue the Japanese overseas" in "an event of contingency" on the Korean peninsula. The Japanese reactionaries have already legalized the dispatch of the ground and air "SDF" overseas. What remains to be done is the dispatch of the Naval "SDF" overseas. Having allowed the portcall of a fleet of the South Korean puppet navy on Japan, they intend to send a fleet of the "SDF" to South

Korea under the cloak of "return visit" and thus create favourable circumstances for the dispatch of the Naval force overseas.

The entire Korean nation and the Asian people must frustrate the political and military collusion between the Japanese reactionaries and the South Korean puppets, keeping high vigilance.

Japan and the South Korean puppets must not act rashly.

Paper Urges South Korea To Return Prisoners

*SK2112045994 Pyongyang KCNA in English 0448
GMT 21 Dec 94*

[**"Unconverted Long-term Prisoners Must Be Returned Soon"**—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 21 (KCNA)—It is quite natural that the Koreans in the North, South and overseas and broad public circles of the world should conduct brisk activities for the repatriation of Kim In-so, Ham Se-hwan and Kim Yong-tae, unconverted long-term prisoners now kept in South Korea, to the northern half of Korea, stresses MINJU CHOSON today.

The news analyst says:

The South Korean rulers kept them, prisoners of war, behind bars for more than 30 years and harshly tortured them for their refusal of "ideological conversion." After their nominal release, they are still detained in South Korea. This is a wanton violation of the Korean Armistice Agreement and the Geneva convention on the treatment of prisoners of war.

The continued detention of the old men by the South Korean authorities is a flagrant violation of the international law, and their repatriation is an urgent demand that brooks no further delay in view of humanitarianism. That is why the Koreans in the North, South and overseas and broad public circles of the world are lifting up voices for their repatriation.

The struggle will continue till they are repatriated.

The Kim Yong-sam group must look straight at the demand of the nation and the trend of the times and promptly return the unconverted long-term prisoners.

Dailies Continue To Ask Japan To 'Atone'

*SK2112041394 Pyongyang KCNA in English 0401
GMT 21 Dec 94*

[**"Pyongyang Papers on Japan's Refusal To Atone For Her Past"**—KCNA headline]

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Pyongyang papers continue to flail the cunning and ill-natured act of the Japanese authorities who

are trying to gloss over the heinous anti-ethical crimes including the "comfort women" issue, still refusing to atone for the past.

It is entirely wrong for the Japanese militarist forces to refuse to atone for the past, still obsessed by the outdated view and mode of thinking of the old imperialist era at a time when heading for reconciliation and peace becomes a world-wide trend, NODONG SINMUN says in a by-lined article titled "Atonement for the Past Is Unavoidable Task Facing Japan".

Japan must admit all sorts of crimes committed by the Japanese imperialists in the past, officially and honestly open them to the world and punish those responsible for the crimes, the article says, and goes on:

If the Japanese authorities feel the least responsibility for the past crimes and have a willingness to reflect on them, they must refrain from whitewashing them and make public and admit them in the name of the state. And they must take practical steps including penalties upon those involved in the "comfort women" issue and those responsible for the past criminal acts under the obligation of international law.

The reparation, today's focus in the post-war settlement, is a yardstick showing whether Japan truly wants to make a clean sheet of the past and break with it, or not.

The article denounces the Japanese authorities for trying to "console" the victims with a few pennies under "the exchange plan for peace and friendship" and "non-governmental fund programme" instead of the state compensation.

The article stresses:

The Japanese reactionaries must refrain from misjudging the reality and properly complete the post-war settlement in compliance with the demand and expectation of the world and on the principle of international justice and impartiality.

This is badly needed for Japan rather than for others.

'Oppression' of Reunification Forces Denounced

*SK2112115394 Pyongyang Korean Central
Broadcasting Network in Korean 1222 GMT 20 Dec 94*

[Commentary by Yun Pyong-son: "Another Unpardonable Traitorous Violence"]

[FBIS Translated Text] According to a report, the South Cholla Provincial puppet police headquarters on 18 December arrested Choe Yong-sin, head of the propaganda department of the South Cholla provincial alliance for democracy and national reunification, on the charges of having printed and distributed a statement expressing condolences over the unexpected passing away of President Kim Il-song, the great father of the nation.

This is another unpardonable antinational fascist violence. Earlier, on 10 December, the Kim Yong-sam puppet clique arrested and imprisoned the chairman of the Korean Federation of University Student Councils [Hanchongnyon], and prior to this, it arrested Yang Tong-hun, chairman of Hanchongnyon's national reunification committee, thus committing a barbarous violent act. In addition, the Kim Yong-sam group demanded five years' imprisonment and five years' suspension of qualification for Kang Sin-won, a patriotic reunification figure and head of a department in the preparatory committee for formation of the South side headquarters of the National Alliance for the Country's Reunification [Pomminnyon], on the charge of violating the National Security Law. Thus, the Kim Yong-sam group has perpetrated a vicious repressive violent act.

It is clear that the Kim Yong-sam puppet clique is committing oppressive outrages against patriotic national reunification forces more persistently and more atrociously with each passing day by laying the blame at our door.

Furthermore, at a time when our people's hearts are still filled with sorrow for losing the great father of the nation, the Kim Yong-sam group arrested and imprisoned Choe Yong-sin, who printed and distributed the statement of condolences by reflecting the South Korean people's pure-hearted feelings, by branding his act as a crime. This evoked the people's surging indignation.

As is known to all, the fact that the great leader, a peerless patriot, the sun of the nation, and lodestar of national reunification, regrettably passed away is the greatest sorrow and loss to our nation. All the Korean people grieved over this unexpected greatest national misfortune, and expressed deep condolences for this.

All fellow countrymen in the North, the South, and overseas, wailed in deep sorrow and shed hot tears. This was the reason fellow countrymen expressed condolences over the death of the father of the nation and is a long, traditional laudable custom of our people.

This being the case, Choe Yong-sin's act to print and distribute the statement of condolences to South Korean compatriots is an extremely just act deserving high appraisal of all people.

Nevertheless, the man who carried out such a just act was arrested and detained in prison in the South being branded as a criminal. We cannot but say that the Kim Yong-sam clique is a group of barbarians and a group of traitors with whom we cannot live under the same sky.

Since the Kim Yong-sam puppet clique committed an inhumane and antimoral act of thrusting a bayonet into the grieving hearts of all fellow countrymen by infringing upon even basic common sense and etiquette before the world's people, it was sternly denounced and cursed by the people at home and abroad. This notwithstanding,

the Kim Yong-sam puppet clique is continuing to commit an antinational crime, instead of seeking a due lesson.

Even today when five months have passed since the great leader passed away, the Kim Yong-sam group is perpetrating barbarous oppression by making issue of what took place at that time. How can our people forget this criminal act by the Kim Yong-sam group and how can we tolerate it?

The Kim Yong-sam group should deservedly ponder the grave consequences to be brought about by such a barbarous oppressive act. The Kim Yong-sam clique's barbarous oppressive act more clearly shows the deceitfulness of the empty remarks and the falseness of the propaganda on the exchange and cooperation with us advocated by the Kim Yong-sam group. It was also proved that the rascals are only pursuing the road of aggravating North-South confrontation.

The Kim Yong-sam clique is foolishly trying to find a way out of the crisis it faces at home and abroad through oppression of patriotic national reunification forces. However, this is merely desperate last-ditch efforts of those who are abandoned by the people. The Kim Yong-sam group's fate was decided a long time ago. With its antinational crimes, which will not be pardoned forever, the Kim Yong-sam clique will face a stern judgment by the nation without fail.

Son of Prisoner Sends Letter to Half-Sister

SK2112044194 Pyongyang KCNA in English 0411 GMT 21 Dec 94

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Kim Myong-chin, son of a deceased unconverted prisoner, Kim Pyong-chu, sent a letter to Kim Chi-hyon, his half-sister in South Korea.

Kim Chi-hyon, 29, is the eldest daughter of Kim Pyong-chu who was taken prisoner while active in the guerrilla unit of Mt. Chiri which he joined as a soldier of the Korean People's Army during the fatherland liberation war, and was kept in prison for many years before he was released and died.

She contracted tuberculous pulmonary abscess and underwent an operation, in which her ribs were cut off. But inflammation spread to the vicinity of the spine, putting her in a very critical condition. There is no kinsman to take care of her in her sick bed in South Korea.

In the letter Kim Myong-chin said he had heard tidings of the father and his sister through Yi In-mo, the incarnation of faith and will, and only recently he received a letter sent by the eldest sister by the hand of a person through a third country in 1992. He said he has become a proud commanding officer of the people's army after finishing a university course under the care of

the fatherly leader President Kim Il-song and the dear leader Comrade Kim Chong-il.

"Considerate of our earnest wish to live together, respected general Kim Chong-il always shows deep concern to embrace you, brothers and sisters, in his warm bosom and look after you with utmost care," he said in the letter, and continued:

"Following the intention of the general, the Central Committee of our Red Cross Society in April last asked the South Korean Red Cross to take measures so that you, sisters and brothers in the South, might be brought to the northern half of the country and ensured medical treatment and livelihood.

"Dear general Kim Chong-il is the father of us brothers and sisters and the destiny and future of our nation."

Kim Myong-chin expressed the hope that all his brothers and sisters would live unbendingly with hope and conviction.

Reception Marks Anniversary of Cambodia Ties

*SK2112044694 Pyongyang KCNA in English 0428
GMT 21 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 21 (KCNA)—The Central People's Committee of the Democratic People's Republic of Korea hosted a reception Tuesday on the 30th anniversary of the opening of diplomatic relations between the Democratic People's Republic of Korea and the Kingdom of Cambodia.

Present there were Vice-president Yi Chong-ok and other officials concerned.

Charge d'affaires ad interim of the Cambodian Embassy here Laau Bonna, embassy officials and Cambodian guests were present on invitation.

Addressing the reception, Vice-premier and Foreign Minister Kim Yong-nam said after the establishment of diplomatic relations, the bonds of friendship and solidarity between Korea and Cambodia have been further deepened to reach a new, higher stage.

Referring to the gigantic work briskly going on in Cambodia for the nation's peace and stability, national reconciliation and unity, the reconstruction and prosperity of the country, he expressed the belief that the royal government and fraternal people of Cambodia under the correct leadership of esteemed His Majesty King Norodom Sihanouk, will build an independent and prosperous, new Cambodia.

"We will, as in the past, so in the future, too make energetic efforts to develop on good terms the traditional relations of friendship and cooperation with the fraternal Cambodian people," he stated.

Charge d'Affaires ad Interim of the Cambodian Embassy Laau Bonna, speaking in reply said the royal government and people of Cambodia will continue to learn from the

progress and great development made by the Korean people in the economic, social, cultural and other fields under the wise guidance of His Excellency Marshal Kim Chong-il, the supreme leader of the Democratic People's Republic of Korea.

The enormous achievements of Korea have been made by the united efforts of the Workers' Party of Korea and the people rallied closely around it to carry through the teachings of His Excellency Generalissimo Kim Il-song who will always be alive and the chuche idea and thus further improve the material and cultural standard of the people, remarkably develop the national economy in all domains and add lustre to anthropocentric socialism, he said.

He declared that the Cambodian people invariably render firm and positive support to the just cause of the fraternal Korean people for a peaceful reunification of the country through the confederacy formula. "The Royal Government of Cambodia is convinced that the close friendship, solidarity and cooperation between the two countries will continue to be strengthened and developed in all aspects under the wise guidance of His Excellency Marshal Kim Chong-il, the supreme leader of the Korean people," he said.

Kim Chong-il Sends Thanks to Soldiers

*SK2112044494 Pyongyang KCNA in English 0420
GMT 21 Dec 94*

[FBIS Transcribed Text] Pyongyang, December 21 (KCNA)—The great leader of our party and people Comrade Kim Chong-il, supreme commander of the Korean People's Army (KPA), sent thanks to servicemen of the Korean People's Army and their families including Yi Chon-il, an officer of the Cha Tong-chin unit and his family for their full display of communist virtues.

His thanks also went to the officials of the Sinuiju City, North Pyongan Province, committee of the Workers' Party of Korea and many county party committees and officials and working people of different units including the Naknang general restaurant in Pyongyang, who had set examples in displaying the traditional traits of army-people unity.

They sent large quantities of aid materials representing the warm hearts of the people to units of the people's army and sincerely helped KPA soldiers so that they might not feel any inconvenience in military service.

The speakers at the thanks-conveying meetings expressed their determination to make active contributions to increasing the combat power of the people's army and tightening the blood ties between the army and the people with the firm faith that they will surely win, only guided by the dear leader Comrade Kim Chong-il, their destiny and future.

*** Functionaries Urged To Serve People Sincerely**

952C0028A Pyongyang MINJU CHOSON in Korean
30 Sep 94 p 1

["Let Functionaries of Power Organs Work in a Manner Worthy of the Faithful Servant of the People"]

[FBIS Translated Text] As reported earlier, thanks to the arrangement made under the dear leader Comrade Kim Chong-il's instructions, party and government cadres visited Chonchon and Maengsan Counties on 26 and 27 September to congratulate the functionaries and employees of the Chonchon County Industrial Management Office Chonchon and the functionaries of Maengsan County on their exemplary performances in the implementation of party policy. The party and government functionaries also visited the homes of workers in these counties. Encouraged by these visits, local functionaries and workers of Chonchon and Maengsan Counties have renewed their resolve of loyalty to make greater achievements in their work in order to repay the immense trust and affection bestowed upon them by the dear leader and have vigorously launched into a struggle to implement this resolve. The functionaries and workers of all other cities and counties throughout the country are waging a vigorous struggle to effect a new turn in their efforts to implement the party's economic strategies by learning from the examples of Chonchon and Maengsan Counties. Reality dictates that our power organs and their functionaries serve the people more devotedly with a keen realization of their duty as the servants of the people.

The dear leader Comrade Kim Chong-il pointed out as follows: "The functionaries of people's power organs should do their utmost as true loyal servants and dutiful sons and daughters of the people on the road of struggle to sacrifice everything for the sake of the people, regarding the interest of the people as precious as their own lives."

To serve the people devotedly is a noble trait that functionaries of power organs should cultivate.

Functionaries of power organs come from among the people, and they are the errand boys of the people with a mission to serve them. Whether or not functionaries of power organs can fulfill their noble mission depends on how intense their sense of duty as servants of the people is. For functionaries of power organs, nothing is more honorable and rewarding than serving the people faithfully in an intense spirit of devotion to the people.

For functionaries of power organs to work for the people in a high spirit of service is a natural necessity generated by the nature of our party and people's government.

Our party and the government of the republic thoroughly protects the interest of the masses of working people and takes full responsibility for today's livelihood of our people and their destiny of tomorrow. All lines and activities of our party and the government of the

republic are characterized by unceasing service and care for the people all the way. Therefore, functionaries of our power organs who are brought up in the bosom of our party and who prop up the party should naturally devote themselves to the service of the masses of people in an intense spirit of devotion. Nothing is more important and rewarding for functionaries of power organs in their effort to provide a more independent and creative life and boundless happiness for the masses of people than to work devotedly for them in a keen spirit of service. This is a work attitude and a code of conduct from which functionaries of our power organs should never deviate even an inch under any circumstance. Respecting the masses of people and waging a devoted struggle for their happiness and interest—this is the way functionaries of power organs can find their reward and honor.

For functionaries of power organs to devote themselves to the service of the people in a spirit of devotion is an important guarantee for strengthening the unity and solidarity between the party and the masses of people.

Our power organs and their functionaries are the backbone of our party and the organizers and executors of party policies. The ideas of the party to bring greater happiness to our workers are implemented by functionaries of power organs. It follows that the question of how devotedly functionaries of power organs work for the people is directly linked to the question of how well the solicitude of the party reaches the people, enhancing their trust in and their support for the party and the government of the republic. When functionaries of our power organs work devotedly for the people in an intense spirit of service, the people will trust and follow our party all the more and the unity and solidarity between the party and the people will become so solid that no force on earth can break it.

For functionaries of power organs to work honestly for the happiness of the people in a high spirit of service constitutes one of the important guarantees for vigorously inspiring the revolutionary zeal and creative initiative in the masses of working people, thereby bringing about unceasing upsurges in socialist construction.

Only when functionaries of power organs look after the masses with warmth in a lofty spirit of devotion, will the workers be able to brilliantly fulfill the revolutionary tasks in hand by giving full play to their revolutionary zeal and creative initiative. Therefore, for functionaries of power organs to struggle for the sake of the people devoting their all in a high spirit of service becomes an important political task to accelerate socialist construction. Currently, all our people throughout the country are engaged in a vigorous struggle to impale the teachings of the deceased great leader Comrade Kim Il-song by turning their piercing sense of loss and poignant sorrow into redoubled strength and courage. Under the circumstances, functionaries of power organs should strive all the harder to become one with the

people in a warm spirit of devotion and look after their livelihood faithfully and sincerely while working and living together with them.

Indeed for functionaries of power organs to devote themselves to the service of the people in a high spirit of devotion is a noble and rewarding task to fulfil their duty as the servants of the people and strengthen the backbone of the revolution and vigorously accelerate socialist construction by bringing all the people throughout the country together solidly around the party.

To serve the people devotedly, functionaries of power organs should first of all have a strong determination and a firm resolve.

For functionaries of power organs to have a strong determination and a firm resolve in their struggle to translate the party's intentions into action is a prerequisite for achieving a high success in their work. Only functionaries with firm determination and resolve can work enthusiastically in a creative manner and reach the ultimate goal by breaking through barriers with a strong revolutionary spirit. The areas of activity of power organs are various and diverse. Take the task of improving the living standard of the people for instance, the demands are endless. Therefore, only when functionaries of power organs have a firm determination and resolve to work for the people in an exemplarily manner can they work diligently by devoting their all to every task, minor and major, difficult and easy, dirty and clean, from the task of developing the local economy which is linked to the national economy and the people's livelihood to that of improving the housekeeping of each household. When they lack determination and resolve, functionaries would hold out their hands begging for more from higher authorities even when they sit on piles of raw materials and end up leaving no trace of accomplishment on the road to developing the local economy and improving the living standard of the people.

All functionaries of power organs are revolutionary fighters who pledged themselves to devote their entire lives as faithful servants of the people. They should not forget even for a moment their pledge made to the party but cherish consistently their determination and resolve to honor the pledge to the end and devote all their wisdom and energy to the service of the people.

The spirit of devoted service cherished by functionaries of power organs should manifest itself in practical struggle to implement party policies.

The policies of our party are most people-minded ones in which the aspirations and demands of the masses of people are condensed. Therefore functionaries of power organs must take the lead in implementing party policies and vigorously organize and mobilize the masses in their implementation so that all plans and intentions of the party may be implemented in timely fashion and bear brilliant fruit.

Our party has unfolded a grand plan to bring about a new turn in economic construction and further consolidate the foundations of our self-reliant socialist economy rock-firm and improve the people's livelihood more satisfactorily to suit the demands of socialism. The party is now sagaciously leading the struggle to carry out this plan. For functionaries of our power organs, no task is more important and honorable than to uphold this determination of the party and brilliantly realize it. All functionaries of power organs must on the one hand establish the revolutionary ethos of thoroughly implementing the party's economy strategy by following the spirit of absoluteness and unconditionality demonstrated by the late anti-Japanese revolutionary fighters who said that they had even no right to die before they carried out the great leader's orders, and on the other conduct political and organizational work in a systematic manner to make the whole country seething with creative and innovative activities. Functionaries of power organs must give full play to their revolutionary spirit of self-reliance and fortitude in order to unconditionally carry out the militant tasks assigned to their respective units and inspire and galvanize the masses into greater exploits by leading them by personal examples.

To serve the people devotedly, functionaries of power organs need to establish a correct revolutionary mass viewpoint.

To establish a correct revolutionary mass viewpoint is the starting point and a basis for functionaries of power organs in fulfilling their duties. Only with the correct stand that the masses of people are the masters of the revolution and construction and that they are also the driving force of the revolution and construction can functionaries of power organs give full play to their spirit of devoted service, the spirit of respecting the masses and sacrificing everything to work for them.

Upholding the party slogan "Serve for the people," functionaries of power organs must struggle, wherever they work and whatever they do, to protect the interest of the people thoroughly, sacrificing everything for them, always having a correct mass viewpoint.

To go deep into the midst of the masses and live in the same way as they do, looking after their living in a responsible manner is an essential requirement for functionaries of power organs in fulfilling their duty as servants of the people. Cherishing the noble idea of "People are the heaven" and etching deep in their hearts the sacred image of the fatherly leader who always shared life and death, hardship and happiness with the people all his life, functionaries of power organs should go deep among the people and live with them sharing food and clothing, and listen to their voices and help them solve their problems in timely fashion and look after their daily living in a responsible manner so that they may devote themselves to their work with nothing to worry about.

It is easy for functionaries of power organs to say that they will devote their whole lives to the service of the

people. But it is not easy at all to go out ahead of others in the morning, rain or shine, and expose themselves to early morning dew and cold winds to serve for the people devotedly. Functionaries of power organs encounter many barriers and obstacles in their work, but they should never forget their attitude and stand as servants of the people. They must constantly cultivate the spirit of devoted service to the people by tempering and educating themselves in the revolutionary way through practical work and dedicate themselves with constancy to the sacred struggle for the people from beginning to end and make a valuable contribution to it.

Cherishing deep in their hearts the spirit of devoted service to the people, functionaries of power organs urged to redouble their efforts to brilliantly realize the party's idea of improving the well-being of the people and give full play to the superiority of our way of socialism.

Chondoists Hold Service for Ancient King

SK2112043494 Pyongyang KCNA in English 0417 GMT 21 Dec 94

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Chondoists held a memorial service today for King Tangun, the ancestral father of the Korean nation, before his reconstructed tomb.

Tangun was born in Pyongyang more than 5,000 years ago and founded ancient Korea and developed it to be a powerful state.

In the service the Chondoist code of sacrificial rituals was mainly observed in combination with that of the Tangun Taejonggyo and the traditional manners handed down through generations.

Mrs. Yu Mi-yong, chairwoman of the central guidance committee of the Korean Chondoist Association, delivered a memorial address at the service.

She said respected President Kim Il-song bent great efforts for the reconstruction of Tangun's tomb as befits the tomb of the nation's ancestral father. Respected General Kim Chong-il, though feeling bitter grief at the loss of President Kim Il-song, wisely guided the reconstruction of the tomb so that it could be completed on the highest level in a short period, she said.

She charged that the Kim Yong-sam group blocked the northern trip of South Korean figures of various circles who wanted to participate in the ceremony for the completion of the reconstruction of the tomb, while ignoring great national unity and fostering division and confrontation.

She called on all the Chondoists in the northern half of the country to devote their all to reunifying the country at an early date under the leadership of respected General Kim Chong-il as indicated by the 10-point programme of the great unity of the whole nation put forward by the fatherly leader President Kim Il-song.

And she expressed the belief that the South Korean Chondoists and all other clergymen worshiping Tangun will reject the anti-national separatist forces and fight more vigorously for the great unity of the nation and reunification in the '90s in unity with the compatriots of all walks of life.

The participants saw Tangun's coffin chamber.

Year-End Account Settlement on Korean Farms

SK2112042694 Pyongyang KCNA in English 0405 GMT 21 Dec 94

[FBIS Transcribed Text] Pyongyang, December 20 (KCNA)—Year-end account settlement and income distribution are taking place on cooperative farms of Korea.

They were held on the Ohyon cooperative farm in Yonan County, the Simpyong cooperative farm in Chongdan County, the Kumsong cooperative farm in Paechon County, the Paeksok cooperative farm in Sinchon County, the Pukji cooperative farm in Chaeryong County, and many other cooperative farms in South Hwanghae Province, a western granary of Korea.

The cooperative farms overfulfilled their production plans of grain, meat, eggs, cocoons and vegetables on all indices.

The Ohyon cooperative farm in Yonan County fulfilled the production plan of grain at 105.4 percent, vegetables at 100.3 percent, meat at 105.2 percent, cocoons at 110.8 percent and eggs at 101.5 percent.

The Pukji cooperative farm in Chaeryong County and other farms gathered in 8 or 9 tons of grain from each hectare.

The Samsok cooperative farm in Samsok District, Pyongyang, the Wangjaesan cooperative farm in Onsong County, the Pyongyuk cooperative farm in Kilju County, and the Hawol cooperative farm in Hwasong County, North Hamgyong Province, and many other farms did successful farming as demanded by the chuche method of farming.

The Wangjaesan cooperative farm carried out the production plan of grain at 105.3 percent, vegetables at 101 percent, meat at 100.2 percent and cocoons at 104.3 percent.

South Korea

Reportage on U.S. Helicopter in North Korea

DPRK: Helicopter Strayed 'On Purpose'

SK2112085094 Seoul YONHAP in English 0842 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 (YONHAP)—North Korea asserts that the American military helicopter that strayed into the North last Saturday "had

violated the North Korean air space on purpose," the YOMIURI SHIMBUN of Japan reported in a dispatch from New York Wednesday.

Saying that an official at the North Korean Mission to the United Nations in New York made the allegation, the daily said this was the first time North Korea took it as a case of "air space violation."

The North Korean official said Pyongyang was willing to have "full-fledged discussions" with the United States on the question of returning the crewman and downed helicopter.

Explaining about the incident, the report said, the North Korean official asserted that the U.S. military helicopter "intruded into our air space across the Military Demarcation Line by surprise."

He said that North Korean troops at first issued a warning signal. "Nevertheless, the helicopter kept intruding, so our troops opened fire at it in a self-defense action," he said.

The weapons used, he said, were an anti-aircraft weapon and a ground-to-air gun.

"Since the helicopter entered into our area with disregard to our warning signal, the intrusion couldn't be due to a navigational error or a technical trouble," he said.

The North Korean official added that it is a nonsense (for U.S. authorities) to claim the crewmen were not aware of the terrain conditions of the Korean peninsula to which they were assigned, the YOMIURI said.

DPRK Official Cited 19 Dec

SK2112021194 Seoul HANGYORE SINMUN in Korean
21 Dec 94 p 3

[By correspondent Chong Yon-chu from Washington]

[FBIS Translated Excerpt] A high-ranking diplomat of the North Korean mission to the United Nations said on 19 December: "Our side shot down the U.S. military helicopter, which had entered North Korean airspace, because it continuously flew northward despite our side's warning shots."

He also said: "I heard that the helicopter continuously flew, even though it had to fly low and land when warning shots were fired." He also said: "An investigation is under way to find out why the helicopter infiltrated our territorial airspace."

He went on to say: "The investigation will immediately show whether the helicopter infiltrated our airspace to conduct reconnaissance to find out about our readiness to respond after suddenly crossing the truce line or to gather information or it was a simple accident due to straying." He also said: "We would have no reason to detain the pilot for long [orae putturodul iyunun opsulgot] if it is found to be a simple accident." [passage omitted]

Source: DPRK Proposition

SK2112105294 Seoul YONHAP in English 1039 GMT
21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—U.S. and North Korean military authorities resumed a contact Wednesday afternoon at the conference room of the Military Armistice Commission at Panmunjom to discuss the return of the surviving crewman of the American helicopter that strayed into the North Korean area last Saturday.

The contact took place between U.S. Army Col. Shoemaker, secretary of the UN Command component of the Military Armistice Commission, and Lt. Col. Yu Yongchol from the North.

A diplomatic source in Seoul said the contact was immediately followed by a meeting of general-grade officers between the two sides to carry on the discussion.

He said that during the Shoemaker-Yu contact, North Korea proposed to upgrade the contact into that of a general-grade officers.

The upgrading of the contact may well indicate that a significant progress has been registered in the discussion on the return of the surviving crewman.

An information officer of the U.S. Forces Korea refused to confirm the general-grade officers contact by saying, "We know nothing about it."

Remains To Be Returned 22 Dec

SK2112143094 Seoul KBS-1 Radio Network in Korean
1400 GMT 21 Dec 94

[YONHAP report from Seoul]

[FBIS Translated Text] The remains of the crewman who died when a U.S. military helicopter made an emergency landing in the territory of North Korea on 17 December will cross the Military Demarcation Line [MDL] at 1000 on 22 December [0100 GMT 22 December] and will be handed over to the U.S. Forces.

One official concerned at the U.S. Embassy, who demanded anonymity, said that those at the U.S.-North Korean working-level contact held in Panmunjom today agreed to return the remains of Warrant Officer David Hilemon. This official explained that U.S. Democratic Representative Bill Richardson, who is now visiting North Korea, will cross the MDL to the South side at 1000 tomorrow after handing over the remains of Warrant Officer Hilemon.

This official added that Representative Richardson had received a promise [tajim] from the North Korean side that they would soon allow Warrant Officer Bobby Hall, the surviving pilot, to depart the country.

Paper on DPRK 'Exercising Self-Restraint'*SK2112021794 Seoul YONHAP in English 0135 GMT
21 Dec 94*

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—North Korea's criticism of the United States has fallen off sharply this month, with the communist country refraining from any harsh statements other than reporting the recent downing of a U.S. Army helicopter just north of the Demilitarized Zone.

This state of affairs is shown in an analysis of radio Pyongyang and the North's central broadcasting station by NAEWOE press, the official Pyongyang watcher here.

Based on NAEWOE's analysis, North Korea had been exercising great self-restraint in avoiding direct slander or even negative comments about the United States as of Dec. 20, except for a few instances of customary criticism.

Most conspicuous is that Pyongyang had not made any follow-up reports or remarks as of the afternoon of Dec. 20 regarding the shooting down of the U.S. Army chopper since releasing an earlier report on the incident.

Analysts say the North Koreans might be behaving this way to avert any ill effects in the process of implementing the nuclear agreement reached with Washington in October.

Recently, the North has regularly criticized U.S. reconnaissance flights over its territory, but ascribed the alleged actions to hawkish conservatives within the American military seeking to elevate tensions on the Korean peninsula while taking a cautious stance on U.S. moderates toward Pyongyang.

In particular, North Korea is defending such American moderates and on Dec. 2 the central broadcasting station even backed up Bill Clinton in its report of Senator Jesse Helms' criticism of the U.S. President.

The station also poured scorn on Korean-American Congressman Jay Kim's assertion that the U.S.-North Korean agreement in Geneva should be modified.

In another area, North Korea did not comment, other than reporting the fact itself, on next year's U.S. budget bill that might otherwise be branded as "American imperialists' conspiracy for world military domination" or "full-fledged American tactics for invading North Korea."

As to a U.S. aircraft carrier's stop at a Japanese port, Pyongyang issued a mild report in a roundabout way, saying that "anti-war peace-loving people in Japan are staging a struggle against the ship."

This unprecedented softening of North Korea's stance is its first amicable gesture since the Korean war (1950-53) and can be termed almost "friendly." The analysts explain that this attitude is derived from the North's recent rapprochement with the United States in their

talks on opening liaison offices and light-water nuclear reactors and from U.S. congressmen's recent visits.

North Korea's Rejection of MAC Assessed*SK2112090994 Seoul CHUNGANG ILBO in Korean 21
Dec 94 p 5*

[Article by Foreign Policy Reporter Kim Song-chin entitled: "Why Does the North Reject the MAC?"]

[FBIS Translated Text] The U.S. helicopter's crossing of the truce line and North Korea's shooting it down in its territorial airspace was an incident which should be dealt with by the Military Armistice Commission [MAC] as a case of violation of the Korean Armistice Agreement whose signing led to the effectuation of the armistice regime.

Since 1953, the MAC has dealt with military violations of the Armistice Agreement through 460 full-dress meetings and 509 secretaries' meetings, irrespective of whether inter-Korean dialogue was going on or not. According to the practice in which one side claims of a violation by the other side on called for a MAC meeting, North Korea should have called for a MAC meeting to discuss the rights and wrongs of the case of the U.S. helicopter's crossing the border.

However, North Korea rejected the U.S. request not only for a MAC meeting but also for a secretaries' meeting, which is one level lower than a MAC meeting. Acceding only to a contact between liaison officers (18 December) and a working-level contact between lieutenant colonel-level officers (20 December), North Korea showed a reluctance to discuss the problem, stating, "The case is being investigated," and "We have no information to pass on."

The North Korean rejection of the MAC meeting seems to be based on a complex strategy. In the first place, it appears to be part of North Korea's consistent strategy to incapacitate the MAC.

North Korea has rejected MAC meetings ever since ROK Army Maj. Gen. Hwang Won-tak was appointed senior delegate to the MAC in 1991.

North Korea's official excuse for rejecting the MAC was that the ROK is not a signatory to the Armistice Agreement, but analysts feel that North Korea's intentions are to negotiate directly with the United States.

Second, it seems that North Korea intends to use this opportunity to establish a channel of dialogue, such as direct military contact, with the United States.

Calling for the replacement of the military armistice regime with a peace agreement regime, North Korea has persistently called for negotiations with the United States, a party to the Armistice Agreement.

As the North Korean-U.S. peace agreement represents the principles of the parties concerned, it represents a

different position from that of the ROK which calls for negotiations and the signing of an agreement with the ROK.

Using the helicopter incident as an opportunity, North Korea may insist on the signing of a peace agreement with the United States on grounds that in order to solve a problem of this nature, there is a need for a channel of dialogue other than an incapacitated MAC.

Once a channel of dialogue is made, North Korea may attempt to make it a regular, permanent channel. Securing a military channel is key to military confidence-building, which is a crucial element for conversion into a peace regime, not to mention the liquidation of the armistice regime.

Third, North Korea is using this opportunity to make the United States feel the need for dialogue with North Korea in order to expedite the process of the U.S.-North Korean agreement on the nuclear issue and the establishment of liaison missions, and to move the process along to its advantage, as this will have considerable far-reaching effects on North Korea's position, such as strengthening its position in negotiations with Japan for the establishment of diplomatic relations, and the gaining of tangible effects in the improvement of relations with the Philippines, Mexico, and Thailand, which it is close to realizing.

Fourth, while it is the North Korean strategy to use the helicopter incident to improve relations and secure a dialogue channel with the United States, North Korea's internal situation is thought to be compelling North Korea to reject the MAC, which should be dealing with the helicopter incident.

Hardline military forces in North Korea seem to be complaining that the North Korean agreement with the United States is the introduction of a policy of openness and the abandonment of nuclear sovereignty.

The helicopter incident is favorable news to these hardliners.

The hardliners will cite this incident as proof confirming that the United States is a hostile force which continues to threaten them.

Therefore, serious conflict between the hawks and doves in North Korea on how to deal with the incident can be expected.

It will be interesting to see what solution Kim Chong-il will seek in this incident involving the diplomacy of North Korea and the United States and to see the divergence of opinions between hawks and doves in North Korea.

Approval Given To Make Civilian Helicopters

SK2112005794 Seoul THE KOREA HERALD in English 21 Dec 94 p 8

[FBIS Transcribed Text] Samsung Aerospace Co. and Korea Bell Helicopter Co. have received government

approval to produce civilian helicopters, the Ministry of Trade, Industry and Energy (MOTIE) said yesterday.

Their entry into the burgeoning helicopter market is sure to heat up competition with existing helicopter makers—Korean Air (KAL) and Hyundai Technology & Development Co.

KAL has so far dominated the military helicopter market, while Hyundai has led the production of civilian helicopters.

Samsung Aerospace presented to the MOTIE Dec. 5 its plan to introduce technology from France's Eurocopter Co. for the production of 14-seat Dauphin helicopters. The MOTIE gave the go-ahead for the plan the same day.

Under the contract concluded in September 1993, Samsung will pay \$600,000 in royalties to Eurocopter, a joint venture between France and Germany.

Samsung Aerospace, the lead company for the nation's ongoing 100-seat airplane program, has produced some helicopter parts, including engines, since 1989, to accumulate helicopter production capabilities.

"Anticipating a rise in demand for civilian helicopters in the future, we have pushed ahead with the helicopter business," said a Samsung official.

Korea has imported 23 helicopters for civilian purposes, mostly from the United States' Bell Co., over the last two years.

Korea Bell Helicopter, which has participated in the helicopter maintenance, repair and overhaul businesses, also presented to the ministry early this month its plan to enter the helicopter production business.

Korea Bell Helicopter, set up in December 1986 as a joint venture between a Korean investor and the United States' Bell Co., became a local firm in May this year when the local investor bought up the Bell's 25 percent stake.

Korea Bell earned 3.25 billion won in sales through helicopter repair and maintenance, including exports worth \$405,000, last year and the estimated figure for this year is 3.72 billion won.

Under the Korean Helicopter Program (HX), KAL has served as the prime contractor for the production of UH-60 "Black Hawk" helicopters under a license contract with the United States' Sikorsky.

Hyundai Technology & Development Co., which was set up in March this year by taking over the aerospace-related business from Hyundai Precision & Industry Co., has produced civilian helicopters, called "BK117 B-1," since August 1989 under a contract with Japan's Kawasaki Heavy Industries, Ltd.

Companies Increase U.S. Technology Imports

SK2112131294 Seoul TONG-A ILBO in Korean 21 Dec 94 p 11

[Report by Yi Hui-song: "Source of ROK Technology Imports Turns to the United States"; all numbers as published]

[FBIS Translated Text] U.S. ultramodern industrial technologies are rushing into our country.

As of the end of August 1994, this country registered 126 instances of technology imports from the United States. Thus, the United States has emerged as the nation exporting the greatest volume of technology to our country, leaving out Japan, for the first time in 32 years since the ROK began full-scale technology imports in 1962.

According to Kang Sin-ho, president of Korea Industrial Technology Promotion Corporation [KITPC], out of the total 338 instances of technology imports by ROK enterprises from early this year to the end of August 1994 (all of whose term of contract is longer than one year and whose royalty is more than \$300,000), 37.2 percent have been imported from the United States, and only 34 percent (116 cases) have been imported from Japan.

Last year, technology imports from the United States numbered 224, while that from Japan was 285, thus showing a greater number from Japan.

Full-scale technology imports from the United States began last year. Last year, imports of U.S. technology showed a 37.4 percent increase (163 cases) from that in 1992 and as of the end of August 1994 imports of technology increased by 59 percent (42 cases) from the same period of last year.

Most technologies imported from the United States were from the ultramodern industrial sector, which Japan has been reluctant to transfer to the ROK. In August 1994, Samsung Electronics imported from the United States "combined thin-film recording heads for HDD [preceding abbreviation in Korean-pronounced English]," Gold-Star imported (Elgorism Sauce) [preceding two words in Korean-pronounced English] for computer terminals, and Tongbu Construction Company imported building engineering technology for free engineers [preceding two words in Korean-pronounced English].

KITPC analyzed that U.S. technologies are rushing in because U.S. business firms, unlike Japanese enterprises that are conservative in technology transfer, are open-minded regarding technology transfer if they are properly paid, and because U.S. consulting organizations carried out active mediation work for technology transfer.

The proportion of technologies imported in each sector is as follows: Electric and electronic field marked 33.1 percent of the total, or 112 cases, showing the largest rate in all fields; machinery 89 cases; oil refinery and chemicals 39 cases; foodstuffs 18 cases, and telecommunications 16 cases.

Ssangyong Group To Build Center in DPRK

SK2112074694 Seoul HANGUK ILBO in Korean 21 Dec 94 p 11

[FBIS Translated Text] On 20 December, Ssangyong business group revealed plans to build a convention

center with lodging, telecommunications, financial, and other convenience facilities, in the Najin-Sonbong district of North Korea.

In a news conference held to explain the result of his visit to North Korea, Yi Chu-pom, vice chairman of the group, said that "the North Korean side stressed that they had an immediate need for a building with lodging and other convenience facilities to induce investments by ROK business groups and other foreign enterprises to the Najin-Sonbong district, and thus requested construction of the building." He added that "a minimum of two or three years will be required following the conclusion of a concrete agreement, for completion of the building."

Vice Chairman Yi also pointed out that technicians from both sides will meet in Beijing around 15 February of next year to discuss the importation of cement and working-level matters on improving the quality of North Korea-produced cement. Concerning the timing of the visit to North Korea by Group Chairman Kim Sok-won, Yi said that "the two sides agreed to discuss this issue after a contract for inducement of cement is concluded next March."

Further Details on Center

SK2112125394 Seoul YONHAP in English 1233 GMT 21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—The government intends to apply to South Korean visitors to North Korea the relevant provisions of the law on South-North exchanges and cooperation more strictly in the future.

An official at the National Unification Board said Wednesday that as an initial step, the officials of the Ssangyong Business Group who have just been to North Korea will be asked to forward a written report on their visit.

"Ssangyong has made a verbal report, but we will have them submit a written report within 10 days of their return from North Korea under the provisions of Article 25 of the Exchanges and Cooperation Law," he said.

A board source said the government intent stems in a large measure from the recent visits to North Korea by some leading businessmen without going through legally required procedures.

Under the law on exchanges and cooperation, a South Korean may visit North Korea only after he had his planned contact with North Koreans authorized by the government, obtained a personal safety memorandum from North Korea, and had his visit plan finally okayed by the government.

Tokyo Allots Yen for Post-War Anniversary

SK2112025294 Seoul YONHAP in English 0226 GMT 21 Dec 94

[FBIS Transcribed Text] Tokyo, Dec. 21 (YONHAP)—The Japanese Finance Ministry has allotted 24.6 billion

yen (245 million U.S. dollars) for various preparatory projects next year marking the 50th anniversary of the end of World War II covering comfort women and Koreans stranded in Soviet territory.

The budget sets aside 500 million yen for operating a civilian fund for Asian comfort women, meaning those taken to front-line brothels to provide sex for Japanese soldiers.

Another 8.2 billion yen is for historical research and exchange programs with Asian nations, and 150 million yen to support Koreans who were taken to Sakhalin for forced labor and abandoned there.

A lump sum of 15.8 billion yen is reserved to compensate Taiwanese who had savings accounts with the Japanese military during the war years.

Cabinet Spokesman Kozo Igarashi said the budget is designed to faithfully implement the postwar measures announced by Prime Minister Tomiichi Murayama.

ROK, Others Sign Shipbuilding Agreement

SK2112082994 Seoul YONHAP in English 0728 GMT 21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—An international agreement calling for free competition among the world's shipbuilders was concluded Wednesday.

South Korea, five other countries and the European Union signed the final protocol for the Organization for Economic Cooperation and Development (OECD) multilateral shipbuilding agreement at OECD headquarters in Paris Wednesday, the Foreign Ministry said.

The five other countries are the United States, Japan, Sweden, Finland and Norway.

On behalf of his nation, South Korean Ambassador to France Chang Sun-sop signed the agreement which prohibits subsidies to shipbuilders as well as introduces an anti-dumping system to the global shipbuilding market.

The pact is to take effect Jan. 1, 1996, if the signatories complete ratification before that day.

It will help strengthen the international competitiveness of the South Korean shipbuilding industry as subsidies will be ended in EU members, a Foreign Ministry official said.

ROK Asks PRC To Abolish Tax on Foreign Firms

SK2112082794 Seoul YONHAP in English 0722 GMT 21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—South Korea urged China Tuesday to abolish the value-added tax imposed on foreign firms, expressing concern

that the tax will have an adverse impact on investment by Korean companies in China, the Ministry of Foreign Affairs said Wednesday.

A delegation of 16 South Korean officials from eight ministries led by Second Assistant Vice Minister Son Chun-yong discussed a variety of issues with its Chinese counterpart at the third session of the Joint Committee on Economic, Trade and Technological Cooperation between the Republic of Korea and the People's Republic of China, according to a statement released by the ministry.

The 16-member Chinese delegation was led by Assistant Minister Liu Xiangdong of the Ministry of Foreign Economic Relations and Trade, according to the statement.

On the question of the value-added tax, the Chinese officials reaffirmed that their government would continue to provide favorable treatment to foreign-invested firms in China despite its imposition, the statement said.

During the session, the Korean side voiced its continued interest in increased investment opportunities in manufacturing automobiles and social overhead capital projects in China while stressing the importance of cooperation in TDX (Time Divisional Exchange) telephone switching systems in Hunan Province.

The Koreans also explained that Korean enterprises are keen to take part in China's program for utilizing its military industry for civilian purposes and suggested that they exchange information and develop channels for cooperation in likely fields.

The delegations also agreed to try to redress the growing trade imbalance between the two countries, according to the statement.

The Chinese side, meanwhile, expressed willingness to back South Korean Trade, Industry and Energy Minister Kim Chol-su as the first director-general of the World Trade Organization (WTO) while the Seoul side reaffirmed its support for China's joining the General Agreement on Tariffs and Trade (GATT) and WTO, the statement said.

The two sides also agreed to foster an environment in both countries in which they can promote bilateral trade and investment.

Koreans in PRC Become Agents for Trade

SK2112054994 Seoul YONHAP in English 0502 GMT 21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—Ethnic Korean businesses in China have entered the spotlight of late as a major trade window to North Korea.

As word gets around that they are playing a key role by acting as brokers between South and North Korean companies, attention is focusing on Korean-Chinese

companies located in the three northeast Chinese provinces neighboring the North.

Most of these pro-Pyongyang companies base their main offices in Yanbian and are arranging trade between the two Koreas through their personal connections with the North's ranking officials. Their status as a trade window to the North is believed to have been further enhanced with the waning of money supplies to the North from Chochongnyon, a pro-Pyongyang federation of Korean residents in Japan, and as North Korean trading companies in Hong Kong and Macao lose influence.

Among the companies known to be active are Sunho business, Yanbian Shipping Corp. and Nationality Economic Development Corp. (NEDC) of Heilongjiang

Sunho group General Manager Li Tiehu is also chairman of a China-North Korea joint venture and adviser to the ethnic Korean Scientists' Association and has links with Kim Chong-u, chief of the external economy commission, and his aunt Kang Chom-suk, vice chairwoman of the (North) Korean Democratic Women's Union. At present, Yi's group is participating in road construction between Chungjin and Hoeryong in North Korea.

Assisting in the introduction of the North's Sinduk clear water to the South under a contract with Green Power Co. of South Korea, the NEDC, whose head office is in Harbin, has helped arrange South-North Korean trade.

"The NEDC takes a considerable share of the North's foreign trade and its general manager is treated at the level of a state guest and invited to take part in various events by the North," said Green Power General Manager Kim Chan-kyong.

* PRC, U.S., Japan's Strategies for Peninsula

952C0020A Seoul MAL in Korean Oct 94 pp 48-58

[First of three-part series on Korean peninsula strategies of China, U.S., and Japan; by reporter Cho Yu-sik: "China's Real Intention: Don't Let Go of North Korea, the Northeastern Strategic Bulwark"]

[FBIS Translated Text]

The "ROK foreign policy crisis" was essentially brought on by the failure of the North Korea isolation strategy led by the hard-liners. And the main reason for that failure was the disregard of the "China factor." In East Asia, the China-North Korea alliance leads post-Cold War developments and is a driving force for change. Let's take a look at reasons why China's pragmatic foreign policy for the reform and openness era attaches importance to North Korea, "belittles South Korea" and is now in a honeymoon with the United States and Japan.

North Korea Is China's Strategic Bulwark

Early in 1992, a "news coverage guideline" on the theme, "One cold war has ended and two cold wars have

started," issued by the Propaganda Department of the Communist Party of China [CPC] Central Committee to XINHUA and RENMIN RIBAO and other news media, was obtained by a Japanese reporter and made news. The document contained a phrase referring to North Korea as "China's Northeastern strategic bulwark."

China and North Korea have had friendly relations all the time but the latter half of the 1960's when the Cultural Revolution was at its peak and the late 1970's when China invaded Vietnam, in a sharp contrast to the prolonged abnormal relations China had with other socialist countries sharing the borders, namely, Russia and Vietnam.

On 1 October every year, the Chinese National Day, the CPC organ RENMIN RIBAO prints greetings from foreign chiefs of state. The order in which they are printed is viewed as a significant data reflecting in part the diplomatic judgement of the Chinese Government. The message from President Kim Il-song always took the top place after the 1989 collapse of the Soviet Union and East European communist states. Last year it was Kim Il-song, Yeltsin and Clinton in that order. As regards the messages sent "in the name of the Japanese Emperor" and by ROK President Kim Yong-sam, only the names of the senders were printed in a corner. Also, when Kim Il-song died, Deng Xiaoping personally sent a message of condolence, and all the members of the CPC Politburo Standing Committee, including Jiang Zemin, Li Peng, Qiao Shi, Zhu Rongji, Li Ruihuan, Liu Huaqing and Hu Jindao, visited the North Korean embassy in Beijing to express their condolences. On the funeral day the Chinese television cancelled entertainment programs.

The special treatment accorded North Korea is not for ideological reasons alone. China's present foreign policy is "based on facts"; it is an out-and-out pragmatic policy, which means that where there is no special benefit, there is no special treatment.

The Korean peninsula has historically played the role of a beachhead for maritime forces to make an inroad into China. It did so in the 1592 Japanese invasion, the 1894-95 Sino-Japanese War, and in the 1937 Sino-Japanese War. Also, during the Korean war, the U.S. forces once planned to bomb Manchuria and extend the war to China. If the American and Japanese hawks, who prefer a strategy of containment to peaceful coexistence with a socialist system, should attempt to overthrow the Chinese socialist system, they could find it an extremely effective tactic to "strike its outer ail" first and bring down the socialist North Korea by peaceful or military means. If North Korea, which had long maintained blood-cemented ties with China and held on to socialism, should fall into chaos and disintegrate or be absorbed into South Korea, the psychological impact on the Chinese people could be devastating. The "stability," which the CPC considers the cornerstone of its reform and openness program, could be undermined, giving rise to another Tiananmen incident-type "upheaval." Realistically, if North Korea should collapse, it would bring

refugee and food problems to China and, more importantly, bring China to face—virtually across the border—potential hostile forces like the United States and Japan. In particular, it would create a very stressful situation for China by plunging it into a direct confrontation with the U.S. Forces in Korea. It is clear as day that China does not want to be involved in a situation like that. Yi Hui-ok, researcher at the Chinese and Soviet Affairs Research Institute, said: "The CPC's perception is that possible future pressures from outside would come through the Korean Peninsula and that a North Korean crisis is the trigger of a food crisis and a crisis of the socialist system in China." The Korean Peninsula holds strategic importance in China's national security because it is the route for the threat of "overthrow of socialism by peaceful means" from the West, which China is most vigilant against.

Now that its relations with Russia and Vietnam were normalized, China's biggest national security threat is via the Korean Peninsula. There is indeed a threat of potential disputes with Southeast Asian nations over the Spratly Islands (Chinese name: Nansha Islands) issue, but it is not serious enough to be a threat to national security.

From the Chinese standpoint, North Korea is valuable not only for being a "strategic bulwark" but also a touchstone of stability for East Asia, the main stage of activity for an open China. The CPC sees the need for peace to continue in the neighboring countries for 100 years so that it can steadily push ahead with its reform and openness program. In this connection, it attaches special importance to the stability of the North Korean regime. The Chinese perception is that the stability of North Korea's socialism contributes to the stability of China's socialism and to the stability of a prosperous East Asia. At a time when China is about to shift the focus of economic construction from Guangdong Province adjacent to Hong Kong to the Shanghai region, which is closer to Japan and the Korean Peninsula, the stability of North Korea, the Korean Peninsula and East Asia is a focal point of its East Asia foreign policy with a vital impact on the future of the reform and openness program.

Therefore, China maintains a strong alliance with North Korea and opposes the West's attempt at "sanctions," "pressures" or a "peaceful overthrow" against it. When there was a move in the UN for sanctions against North Korea over the nuclear issue, international communities watched with concern if China would join in for the sake of its relations with the United States, South Korea and other Western nations. But, from the beginning, it had no intention to take part in the move. Rather, the diplomatic task it put out for itself was how to block the move without major friction with the United States, South Korea and Japan. At a special board meeting of the International Atomic Energy Agency (IAEA), China opposed a move to refer the North Korean nuclear issue to the UN. In April 1993, after the issue was reported to

the UN, China exercised its influence to get a UN Security Council resolution to be replaced with a statement of the Security Council president and to have it substantively diluted. Subsequent sanction attempts made in May and November the same year and again in March and June this year were also aborted each time by China's persistent opposition riding on its veto power at the Security Council. The United States finally gave up sanctions against North Korea, choosing dialogue instead. China indeed played a major role in this respect.

China provides North Korea with practical economic assistance through trade. In 1993 alone, it provided, under the barter system, 1.5 million tons of crude oil, 1.5 million tons of coke, 38,000 tons of gasoline, 200,000 tons of corn, and 14,000 tons of meat. They represented the most substantial type of assistance. North Korea is situated in the center of East Asia, a region prospering most rapidly in the world. It is fully possible that North Korea, with its fine-quality labor and favorable geo-economic location, will embark on a high growth path as other Asian countries did once its "peace issue" is resolved. Growth of the North Korean economy will of course create a favorable environment for China's economic growth, too. Under medium- and long-term plans, China is already stepping up its economic cooperation with North Korea through Korean minority nationals and other means. plans.

Of late, China, fully respecting Pyongyang's position, recalled its delegate from the Korean Military Armistice Commission [KMAC]. The action should be viewed as reflecting China's decision that the time is ripe for China get on with its Korean Peninsula policy in real earnest. It should not be seen as one China was compelled to take by North Korea's entreaty. In this connection, So Chin-yong, Korea University political science professor, said:

"In the short run, it is an extension of the basic Chinese stance for carrying on political cooperation with North Korea, while in the long run the action represents the Chinese philosophy that developments worthy of the post-Cold War era will come to the Korean Peninsula anyway and that, consequently, changes in the armistice system will be inevitable after a North Korea-U.S. rapprochement. In the Chinese view, it is in consistency with its long-term Korean Peninsula policy."

The action made it clear that China supports a North Korea-U.S. peace accord. The fact that China took the action while knowing that it would irritate South Korea shows that it needs that much the establishment of peace on the Korean Peninsula. China, seeing the creation of an environment of stability as No. 1 foreign policy target for its reform and openness program, must have decided that once the Armistice Agreement is replaced by a North Korea-U.S. peace agreement, tensions will ease markedly on the Korean Peninsula and the stability will improve substantially. Also, in the Chinese view, North and South Korea and the powers with interests in Korea will all pursue policies seeking peaceful coexistence and

stability; this will create an environment of stability in which the present unpredictable situation will be put to rest and replaced by positive relations to gradually develop among North and South Korea and the powers with interests in Korea. The CPC made it clear on numerous occasions that the peace and stability of the Korean Peninsula is in the interest of China and its reform and openness program.

China indeed pursues pragmatism but its North Korea policy is not likely to be easily shaken by minor interests. It is because the two countries share major interests. For the same reason that the Chinese reform and openness program will not change for a long time to come, it is highly possible that the Chinese policy attaching importance to North Korea will not change for as long a time to come. A research paper of the Foreign Policy and National Security Research Institute under the ROK Ministry of Foreign Affairs has this to say about Sino-North Korean relations:

"In general, the traditional China-North Korea friendship will continue despite turns and twists that can be expected of their future relations due to some degrees of difference over political matters such as the North Korean nuclear issue and Sino-South Korean relations. ... Under the circumstances in which their mutual reliance is inevitable, the Chinese influence over North Korea is on the increase. Therefore, we need to develop plans continuously for an effective exercise of influence over North Korea through China."

Chinese Attitude "Belittling South Korea"

Lately, the "ROK foreign policy crisis" has drawn mounting concern. If you listen carefully, you will find that the "crisis" represents two diametrically different positions. The first, siding with the hard-liners against the North, asserts that the situation on the Korean Peninsula is being relaxed rapidly while we are alienated from the process. It accuses the government of failure to prevent it. The second position is based on the moderates' approach to North Korea. While agreeing that the situation is indeed rapidly easing while we are alienated from the process, it charges that the government has failed to keep up with it. On the same diplomatic reality, the two positions offer two diametrically different diagnoses.

With regard to a post-Cold War "domino" phenomenon on the Korean Peninsula as seen in the swift developments in North Korea-U.S. relations, China's recall of its delegate from the KMAC, and the secret normalization negotiations between North Korea and Japan, one may say that China's stability-oriented foreign policy worked as a catalyst. The United States had to give up its year-long effort for sanctions against North Korea and shift to normalization talks with it; China recalled its delegate from the KMAC, and North Korea and Japan are moving toward the establishment of normal diplomatic ties. All these events, unfolding in succession and with increasing speed, are not the results of the U.S or

Japanese or South Korean initiative; they are the results from the process of the Sino-North Korean alliance implementing its plans to ease tension on the Korean Peninsula. In other words, the Sino-North Korean alliance is in "the driver seat" while the South Korea-U.S.-Japan alliance is left out "in the cold," not even in "the back seat."

The reason that the Korean Peninsula policy of the Sino-North Korean alliance is making headway is that there is nothing seriously unreasonable about it. In a way, the present situation is of our own making. Russia and China recognized South Korea as a result of the No Tae-u government's Northern Policy, and now it is, naturally, the U.S. and Japan's turn to recognize North Korea. It is also natural that if North Korea and the United States establish diplomatic relations, they should conclude a peace agreement between them. The Sino-North Korean alliance only pursued this natural course, and the result was that they found themselves in an positive, offensive position. In our case, we unreasonably tried to avoid the inevitable realities only to find ourselves in a passive, defensive position. If we are to have the initiative in developments on the Korean Peninsula, we should not cling to some impossible things to be tied down to them but ride on the post-Cold War trends and adopt a positive North Korea policy dedicated to peaceful coexistence. This is the only way for us. And we should understand the Sino-North Korean alliance as it is. In other words, we should read its true intention. Among other things, we should grasp China's South Korea policy as it is.

Tripartite relations involving North and South Korea and China are complex and subtle. While North and South Korea are hostile to each other, China maintains friendly diplomatic relations with both. Even in the nuclear issue, in which it had to face the danger of incurring grudges from one side or the other, China emerged with no damage in its relations with either of them. So much so that the quintessence of the Deng Xiaoping foreign policy, it can be said, lies in its conduct of the Korean Peninsula policy.

In general, China is currently ahead of the United States in its influence over the Korean Peninsula. The United States can move South Korea to a certain extent but has no influence over North Korea, while China, in addition to what it has on North Korea, has at least minimum influence over South Korea, too. The fact that the nuclear issue is being resolved in a way closer to the Chinese plan than to the U.S. plan clearly demonstrates China's influence over developments on the Korean Peninsula. Also in arranging a North-South summit, an event of important significance in ushering in a new era on the Korean Peninsula, it can be said that China played a more important role than the United States did. In an interview with a monthly, Hwang Pyong-tae, ambassador to China, said:

"In fact, the arrangement made some time ago (for a North-South summit) was made not by Carter but it was

the result of President Kim Yong-sam's visit to China. During that visit, he conveyed what he had in his mind to the North through the Chinese leadership. The president's message was that he wants to improve relations with North Korea; the Chinese leadership conveyed the message to Pyongyang as they heard it from the president. Then, when Carter came, Kim Il-song used the occasion to convey his intent. Kim Il-song himself said 'President Kim Yong-sam's message was well received,' didn't he? What he meant is that he had received the message from here. The Chinese side conveyed our government's message to the North twice and three times repeatedly."

It is only 2 years since China and South Korea established diplomatic ties, but the two countries which had been in a hostile relationship for a long time are rapidly getting closer to each other politically and economically. This is an inevitable course for them, one may say. First of all, they stood out quickly as partners in trade and investment for their mutual complementarity. For China, South Korea was the sixth largest trade partner last year after such countries as the United States, Japan, Germany and Taiwan, while for South Korea, China ranked third as trade partner and first as overseas investment object. The economies of the two countries are indeed in competition in some areas over their shares in U.S. markets; much more importantly, however, they mutually offer markets and contribute to the revitalization of the regional economies.

Politically, however, in many points they find it difficult to form unity. China cannot but consider its ties with North Korea, and South Korea its relations with the United States. When China established formal diplomatic relations with South Korea, it was busy explaining its position to Pyongyang; likewise, in the aftermath of a comment by Ambassador Hwang Pyong-tae on the ROK "attaching importance to China," South Korea was busy explaining to Washington its context. These facts clearly showed where they stood respectively in their relations with North Korea and the United States. Such circumstances can hardly change for a considerably long time to come. Both are in a similar situation and no one is to blame.

We frequently hear discussions criticizing China's diplomatic attitude "belittling South Korea." Since the 1992 normalization, our president has visited China twice but the Chinese chief of state is yet to make a return visit, although Premier Yi Peng is expected to visit Seoul on behalf of President Jiang Zemin. This is "unthinkable in the diplomatic practice." But Jiang Zemin has not visited North Korea either since he became president. Also, some point to the fact that China sided with North Korea over the nuclear and KMAC issues as an example of its attitude belittling South Korea. For China, however, it was only natural to do so. It was not because it belittled us. In China's position, it cannot afford to break its alliance with North Korea however close it becomes with South Korea,

because it is a matter linked to the security of its socialist system. To raise a hue and cry about a matter of course as if it were a grave mistake only helps to prevent our people from facing the reality sooner.

It is difficult for China and South Korea to go closer in their relationship for the time being. It is their common lot. Still, they are in no position to feel estrangement from either side. The bilateral economic cooperation will naturally lead to gradual development of political ties. Moreover, the two countries share a unique position in East Asia. There is also an objective need for them to jointly respond to Japan's strategy for regional hegemony, and to the trends among ASEAN and Indo-Chinese nations for the creation of a Southeast Asian community.

China will be interested in long-term development of South Korea relations to resolve the security concern of the Sino-North Korean alliance, and to reduce the need for an ROK-U.S.-Japan military alliance and thereby create ripe conditions for a U.S. troop withdrawal from South Korea.

From the Chinese standpoint, if it can build North Korea into a strategic wall by its North Korea strategy, and if it can at the same time weaken the beachhead on the invasion route of maritime forces by promoting mutual political trust with South Korea, it will be able to go full throttle in its continued push with the reform and openness program, free from worries about the "threat from the northeastern region," its biggest security concern. Likewise, for South Korea, China is No. 3 in its diplomatic priorities, next to the United States and Japan; for China's unique position as a go-between in North-South relations, and for the fact that they both are East Asian countries, diplomacy attaching importance to China is an inevitable course. Despite their very cautious approach, South Korea and China will continue to steadily develop their ties.

Deng Xiaoping's 24-Character Diplomatic Strategy

The basic principle of the CPC foreign policy, roughly, consists of two elements—stability and anti-hegemonism. Stressing them, Deng Xiaoping said:

"In China's issues, stability is the only thing that can override everything else. Anything that obstructs stability, whatever force it may be, should be dealt with decisively without fail; there can be neither concession nor compromise. There is no need to fear foreign public opinion. Whatever they say, it should be no concern. China should not be disturbed. This principle should be told repeatedly. It should be told firmly and clearly."

First of all, Chinese foreign policy aspires, absolutely, to stability. It regards external stability as well as domestic stability as essential to the success of the reform and openness program. Deng Xiaoping stated emphatically that it was thanks to the prospects that there would be no world war and that peace would last for a long time to

come in the international situation that China could push the reform and openness program so far. In the future too, he stressed, if the program is to succeed, the absolute environmental stability is indispensable. What he means is this: Influenced too much by the thinking that a third world war would be inevitable, China once neglected its economic construction; after new analyses, however, it came to believe that peace would last for a long time to come and this belief enabled it to push on with economic construction. Deng saw the present time as a golden opportunity for economic construction. In doing so, his judgement that China, situated in the prospering East Asia, can ride on the regional boom and achieve high growth for itself played an important role. China, therefore, shows a special understanding about the stability of East Asia in particular.

At the same time, Chinese foreign policy aspires to anti-hegemonism. Stability and anti-hegemonism are the two sides of the coin.

The CPC does not completely agree that the Cold War is over. The state of the world in its view is that "the U.S.-Soviet Cold War is indeed over but the cold war against socialism and the Third World has intensified rather." According to the aforementioned document of the CPC Propaganda Department, "the termination of the U.S.-Soviet Cold War exposed China, other socialist nations and Third World countries directly to the threat of imperialism. Although the U.S.-Soviet Cold War came to an end, the struggles between the two social systems and the two ideologies are still on, as fierce as ever."

This shows that China's vigilance against the West is still continuing. Since its national interests suffered huge losses at the time of the 1900 Boxer trouble because of the intervention of eight nations, nearly identical with the present G-7 lineup, China has never reinstated completely harmonious relations with the West. The West is still trying to contain China, as seen in the recent U.S. sale of F-16's to Taiwan, France's sale of the Mirage fighters to Taiwan, the U.S.-UK cooperation in blocking a Beijing Olympic Games, the UK attempt at a Hong Kong "democratic reform" and the West-supported Tibet independence move. The Chinese distrust of the West is deep-seated and historical. It is another historical factor making China an East Asian power, leaving China no alternative but be a non-Western power and preventing it from leaning to the West as Russia does.

However, China's "anti-hegemonism" is under careful control and confined within the scope of not hurting stability. The guiding principle is that at a time when China still lags in strength, a clash with the West brings more losses than gains. Furthermore, as a big country, China is confident that it will not easily yield to pressure. It believes that being patient is better than overreacting and it is in the national interest in the long run. China is confident that as long as China exists, it means that one fifth of mankind live under socialism, and that as long as

Chinese socialism exists, it means that socialism stays on the surface of the earth forever. Therefore, while resisting the human rights and arms control pressures from the West on the one hand, China strives to maintain good diplomatic relations on the other, even amid frictions. In this connection, there is the so-called 24-Character Diplomatic Guideline allegedly issued by Deng Xiaoping when the Soviet Union and the East European socialist camp collapsed and the Gulf War broke out.

It is: "Observe calmly, take a firm position, respond with composure, do not expose yourself prematurely, pretend to be dull-witted, and do not thrust yourself forward ahead of others."

It indeed represents a far sight and deep design befitting Deng, the old Mr "Budao." China has successfully carried out a diplomatic agenda to promote friendship and positively revitalize economic exchanges with neighboring countries and thereby create conditions favorable for its reform and openness. China has normalized its relations with most of the countries with which it had problems in the past. It was isolated from the West for about 2 years immediately after the Tiananmen incident, but managed to tide over the crisis and emerged from the "sanction" relatively unscathed. It can be said that China's security environment has improved more than ever.

Explaining the reason why Chinese foreign policy has to pursue stability in the situations surrounding China, Mun Hung-ho, responsible researcher at the National Unification Research Institute, said: "The basic principle guiding Chinese foreign policy is its reform and openness program. The Four Modernizations, to which the CPC attaches greatest importance, requires reform and openness for their success, and for reform and openness it is essential to have smooth diplomatic relations with neighboring countries. For reform and openness, China cannot but focus on stability in diplomatic relations."

With its Korean Peninsula policy, too, China will certainly not depart from the basic principle of "stability."

Same North Korea Policy Even After Deng's Death?

A factor of the biggest bearing on developments involving China is Deng Xiaoping's death. Sustainability of China's Korean Peninsula policy, too, naturally depends on it.

For his successor, Deng has so far groomed three leaders. The first was Hu Yaobang, who served as party general secretary through 1989; the second, Zhao Ziyang, who succeeded Hu and served as party general secretary until the 1989 Tiananmen incident, and the third, Jiang Zemin, who succeeded Zhao as party general secretary. Since 1992, Jiang has been serving concurrently as the president of the state and chairman of the Military Commission of the CPC Central Committee. They had

been groomed purposefully and deliberately as successor under Deng's special trust and support. Hu was thrown out of the succession line by Deng, his political godfather, for his failure to act resolutely against the student demonstrations of December 1986. Likewise, Zhao was ousted after the May-June, 1989, Tiananmen Square student demonstrations.

"The two general secretaries did not commit any errors with the reform and openness program; they were both defeated in the controversy over propertied class liberalization. There were visible signs of an ideological trend advocating propertied class liberalization but they failed to oppose it forcefully. On many occasions I emphasized that they should pay attention to the issue. But they failed to do so. How could students cause the disturbances? It was because our leaders were weak-kneed."

Deng, disappointed at Zhao Ziyang, put up the third man, Jiang Zemin. Jiang was a 20-year-old college student when he embarked on underground party activities in Shanghai in 1946. The CPC was fighting the Japanese at the time. He is a son of a "revolutionary martyr"; his father was killed in a battle with Japanese troops. While a CPC secretary in Shanghai, he was picked by party elders for the post of party general secretary, an exceptional promotion made amid the swirl of the Tiananmen upheaval. Next to Jiang, Premier Li Peng ranks second in the party hierarchy. Li is also a member of a revolutionary family. His father was executed by the Kuomintang army and his mother worked as an underground activist. He also had an aunt who was killed in the revolution. During his childhood, he grew under the care of Zhou Enlai and his wife, Deng Yingchao, as his parents could not look after him. He spent his sensitive 13-17 teenager days in Yanan, the base of the Chinese revolution, attending a middle school there. He joined the CPC in 1945 at the age of 17.

When Secretary of State Warren M. Christopher, during his visit to China in March this year, threatened U.S. withdrawal of most-favored-nation [MFN] treatment in trade unless China improves its human rights record, the two, Jiang Zemin and Li Peng, countered him in heated arguments, not budging an inch. At the end, Christopher had to leave empty-handed. Judging from their backgrounds and political propensity, it is unlikely that they will easily yield to pressures for "propertied class liberalization."

Still, this does not mean that the "third-generation leadership group" has entered a period of stability. The influence and popularity of Jiang Zemin and Li Peng among the Chinese people is not very high. Also, whether they have accomplished something they can be proud of before the Chinese people is in doubt. It is not very likely either that the third-generation leadership group will gain the same kind of influence in the future as Mao Zedong and Deng Xiaoping did in their days. That is the way things are at least now. Thus, Deng Xiaoping himself admits that the successor issue has not yet been completely resolved.

Nevertheless, from a medium- and long-term point of view, not to mention a short-term viewpoint, namely, not only for the next 10 years but also through the 2050's of the next century, China is more likely to firmly maintain its "unique socialism" than to shift to capitalism. Above all, the CPC leadership position is that China should adhere to its "unique socialism" if it is to make domestic developments and at the same time enhance its international prestige. Ideological matters aside, they take a pragmatic position viewing socialism as more effective than capitalism to the Chinese situation. Their perception is that internationally, too, if China should go capitalist, it is bound to fall to a second-class country being dragged about by big powers like the United States and Japan, and that only by adhering to the independence- and self-reliance-oriented socialism can it secure a unique place for itself in the international community as a big power. They take a serious view of the chaos, disorder and economic disruptions that befell to the former Soviet Union and East European socialist nations following their switch to capitalism, as well as the plight of the former Soviet Union, a former superpower but a second-class country now with its neck seized by the United States.

Another important point is that an overwhelming majority of the Chinese people continue to support the CPC. The CPC has a broad support base in the Chinese society. In other words, the strata supporting the CPC are China's stability-oriented forces. The Chinese people's support of the CPC is deep-rooted in history, originating in their anti-Japanese struggle. At the same time, it is a realistic one as they think that only through the stability generated by their support of the CPC—which is the driving force of the reform and openness program—can they attain high growth, too. When one sees China, he should see not only the aspect of its reform and openness program but also the fact that Deng Xiaoping and the CPC and the Chinese people believe that socialism is more useful to China than capitalism. The Chinese people in the 1990's are evidently after "money." The money-making fever in China is something. However, the Chinese people are a people who can support the communist party while they are after money. In the consciousness of a majority of them today, there is no contradiction between their making money and their supporting the communist party. To make money, they must support the communist party and achieve stability, they think. It should be noted that the present Chinese system is kept in place out and out for pragmatic reasons rather than ideological reasons. Only in one contingency, namely, if a liberal democrat like Yeltsin should come in control of the top leadership group, he could, hand in glove with the United States, adopt liberalization policies in a blitz. From the present lineup of the CPC Politburo Standing Committee, however, the possibility of such a contingency is not high. Therefore, the possibility is very high of the present CPC policy keynote continuing its basic framework even after the death of Deng Xiaoping.

Sino-American Honeymoon Era

China is a big country. It shares the borders with 12 other countries and it is a permanent member of the UN Security Council, plus a nuclear and long-range missile power. It has huge markets that are expanding at the highest speed in the world. Therefore, China has many "cards" that can be used for diplomatic purposes. Such big powers as the United States and Japan think that it is more in their interest to have China as friend than as enemy.

China-U.S. relations are currently on a honeymoon and are the best ever since Nixon visited China in 1972—riding on the flow of the ping-pong diplomacy—and realized a detente and the Carter Administration normalized diplomatic relations in 1979. As regards China-U.S. relations, there are two opposing views. One is that although the United States attached importance to China while the Cold War was on because of the need of a joint response against the Soviet Union, the collapse of the Soviet Union has reduced China's strategic importance. This view, however, ran into criticism that it has failed to give full consideration to the post-Cold War world order giving priority to economic competition. Many experts feel that the United States has no alternative but continuing to attach importance to China's role. In their view, the realistic awareness that the peace and stability of the Asia-Pacific region—which is directly linked to the U.S. economic and military interests—is unthinkable without China's participation and cooperation has led Washington to pursue a steady China policy that attaches importance to China. Former President Nixon, who made the breakthrough in China-U.S. relations, wrote in a column last year:

"Why are we afraid of angering Chinese leaders? First, it is because China is a big country. China can also exercise its veto in the UN Security Council. Also, it wields real influence over North Korea and the Southeast Asian region where we don't have much influence."

The huge Chinese markets also are a great attraction to the big businesses in the United States. At the end of the debate over linkage between the two issues—human rights and MFN treatment extension—the Council of Economic Advisers opposing the linkage prevailed over the National Security Council advocating it. This was a foregone conclusion in the realities in the United States that demand priority over economics. Currently, U.S. exports to China are of an annual \$8.8 billion level and this translates to approximately 150,000 jobs in the United States.

It is unthinkable, however, that Washington's China policy will invariably be appeasement-oriented. The United States sold F-16's to Taiwan in 1992. It also blocked a Beijing Olympiad. These facts show that it is on its guard against China—a nation qualitatively different politically, economically and culturally—rising as a future big power. Also, its trade deficit against China amounted to \$22.8 billion last year, a figure only next to

that against Japan, raising prospects that bilateral trade disputes will increase seriousness in the future.

As for China, it will maintain the stability-oriented diplomatic relations at all costs while not yielding to U.S. pressures as it showed in the MFN treatment extension issue. The reason is that if China should lose the huge U.S. markets, accounting for 30% of its exports, or if a deterioration in its relations with the United States should cause instability in the situations surrounding China, it would produce a tremendous negative impact on its reform and openness program. In respect to China's diplomatic principle concerning the United States, Deng Xiaoping is known to have issued the following 16-character guideline after the Tiananmen incident:

"Increase trust, decrease friction, develop cooperation, and avoid confrontation."

It can be said that this guideline, issued when Sino-American relations were strained, warned against over-reacting to U.S. sanctions or pressures and thereby hurting the national interests.

It is expected that the stability-oriented relations China maintains with the United States will contribute to the easing of tensions on the Korean Peninsula and to the development of North Korea-U.S. ties and North-South Korea relations. It is because the development of China-U.S. relations will lead to development of relations between the Sino-North Korean alliance and the United States, which in turn will inevitably lead to development of North-South Korea relations.

"China the Menace" And "Japan the Main Enemy" Arguments

Sino-Japanese relations are also in a state of greatest stability since the 1972 normalization. When China was internationally isolated in the wake of the 1989 Tiananmen incident, Japan became the first country to lift its economic sanction by offering ¥ 800 billion in the third yen loan to China in 1991. Subsequently, Prime Minister Kaifu visited China in what effectively ended a ban on high-level official contacts. Later in 1992, General Secretary Jiang Zemin and the Japanese emperor exchanged visits, and in March this year Prime Minister Hosokawa visited China. Thus, China-Japan relations are in a state of great stability, exhibiting less turns and twists than in China-U.S. relations.

China and Japan, the two leading countries of East Asia, have common interests in the stability, peace and prosperity of the region. Since they are East Asian nations, they inevitably regard the stability and prosperity of East Asia as the foundation of their development. Inasmuch as the stability and peace in region inevitably centers on them, the two big powers cannot but behave themselves prudently, averting frictions between them. In respect to Japan's overseas dispatch of Self-Defense Force members, China was strongly against it at heart; nevertheless,

it did not go beyond expressing mild opposition by saying that "since it is a sensitive matter, it should be dealt with prudently" before approving of it. For its part, Japan is providing China with huge loans. These facts show that the two countries are maintaining their "partnership" for now at least.

But the two countries have potential elements of friction as well as of cooperation between them. Potential friction between them as seen in the "Japan the main enemy" and "China the menace" arguments stems from vigilance against each other turning a hegemonist power of the region. China is wary of Japan pushing China aside and becoming the region's hegemonist leader, while Japan is likewise on its guard against China. In fact, From China's long-term standpoint, the toughest country to deal with in its foreign policy must be Japan, not the United States. It can be said that China and Japan, both treading the path of prosperity, will be leaders of the 21st-century world order. They can display greater powers in the future than they do today. Since the two powers share the same regional bases, there is the possibility of friction expanding between them as time passes by. The "Japan the main enemy" argument being heard in China should be seen in this light.

The "China the menace" argument heard in Japan asserts that China gradually seeks to be a military power and pursues hegemony and that Japan should be on the lookout and check the move thoroughly. This argument cites as its basis the fact that for the past 5 years China continued to increase its defense budget by a two-digit percentage point, that it shifted its strategic emphasis from the northern and northeastern regions to the southern and southeastern regions after the collapse of the former Soviet Union and is strengthening its naval power, building a submarine base in Qingdao and a task force base in Hainan Island. Some say that it is either building an aircraft carrier or pushing a purchase contract with the former Soviet Union, and that it already brought in a retired aircraft carrier and fighters' take-off and landing training is under way.

However, China's response to the argument is that its defense spending is only 1.6% of its gross national product or \$6 per capita (against \$1,100 of the United States and \$600 of Japan), and that its total defense spending is only \$7.3 billion (against \$274.3 billion of the United States and \$37.7 billion of Japan) and is even less than that of South Korea. In the troop strength, too, China cut it by a million in 1985 and has since been reducing it by 100,000 every year.

It is unavoidably a matter of critical concern for us, too, if China will pursue hegemonism at the expense of its neighbors. For now, it could be that China thinks that it is in its national interest to pursue stability rather than hegemonism, but wouldn't it be possible that it gets to exercise hegemonism once it accumulates enough strength in the future? That is the common fear of the neighboring countries.

Diplomacy Attaching Importance to China Is Inevitable

The Chinese minister to Seoul, (He Qihua), served as consul general in Chongjin, North Korea, in 1987-91. Asked "Don't you think that China would like to see the present state of division continues on the Korean Peninsula so that it could use the divide-and-rule strategy in the future as a big power?" he said: "China is a divided country itself and has good understanding about the pains of national division. It therefore sincerely hopes that North and South Korea will promote mutual understanding and attain reunification by their joint efforts."

Will China indeed support the reunification of the Korean Peninsula? Needless to say, it is impossible for China to support reunification of any type. The last thing it will want to see happen will be a reunification through South Korea-led absorption of the North, as well as North Korea's collapse. Such developments could give China tremendous pressures as they create not only a psychological sense of crisis for an "overthrow of socialism by peaceful means" but a refugee problem, too. China would even find itself directly exposed to potential hostile forces of the United States, Japan and the ROK. Therefore, China will try to ward off a worst scenario like that by exercising its influence and protect North Korea from U.S., Japanese and ROK pressures.

Still, China seems to view a North Korea-led socialist reunification as unrealistic and undesirable. The reason is that if North Korea should try to forcibly absorb South Korea politically under the present circumstances, it could provoke Japan's strong opposition, not to mention powerful reactions against it inside South Korean society, and there could even be a war. The Chinese position is that under no circumstances does it want to see a war break out on the Korean Peninsula. It is not just a diplomatic rhetoric, because such a development would decisively destroy the stability of the situations surrounding China and force China to intervene in the dispute one way or another. In that case, China will have to see its diplomatic gains of a decade go down the drain, against all its efforts to enhance its peaceful coexistence image and international trust. Despite some advantage it may find in a reunification like that, China is certain to think that it has more to lose if a conflict which is likely to continue for a long time and in which China is involved should unfold under its very nose.

In the Chinese view, a preferable formula of reunification is one which enables peace and stability to take firm root on the Korean Peninsula and North and South Korea to gradually pursue reunification as equals. China's national interest is in consistency with a system of lasting peace taking root on the Korean Peninsula. Resolving the Korean peace issue is resolved, primarily, means resolution of the nuclear issue, the North Korea-U.S. diplomatic normalization issue and the North Korea-U.S. peace agreement issue; it means the easing of the North-South Korean military confrontation. It will thus stabilize North Korea, China's "strategic wall," and

revitalize regional economic exchanges to create a favorable environment for the reform and openness program.

Once a peace system is established on the Korean Peninsula, North Korea will get on with its "opening up to the world" in earnest. No country can commit itself to foreign exchanges or economic construction in earnest before its peace problem is solved. It was thanks to the detente of the 1970's that basically solved China's peace problem, enabling China to devote itself to national construction, beginning in about 1979. In North Korea's case, too, once its peace problem is solved, epoch-making policy changes will follow, including revitalization of foreign economic exchanges and budgetary rearrangements to shift munitions investments to economic construction. And it is highly possible that it will usher in a high growth era as soon as minimum foundations of development are secured. For the stabilization of the North Korean regime and for the vigorous development of the northeastern region, it will be a very desirable situation for China.

From the Chinese standpoint, even if the United States and Japan should expand their influence over North Korea through normalized relations, it will still be no match for potential Chinese influence; consequently China will have no reason to be particularly concerned about it. Needless to say, China would by no means want to see North Korea go decisively close toward the United States and Japan and away from China. In fact, there is no possibility of North Korea adopting such policy, however.

The question is what will come after the peace system has been established on the Korean Peninsula. What will be China's response when North and South Korea reach beyond the peaceful coexistence for reunification as equals. In fact, this sort of question would be meaningless should North and South Korea be able to reach a national consensus on reunification on the principle of mutual consent and equality. It is because not only China but the United States and Japan, too, will have no good reasons to oppose nor power to block the reunification of the Korean Peninsula by mutual consent of North and South Korea as equals, which should be distinguished from a reunification by absorption by either side.

The question is how effectively we can use the "China factor." With regard to the reunification of North and South Korea on an equal footing, China and we agree on some points and disagree on others. First, even after the peace system has been put in place on the Korean Peninsula, since it is not a lasting peace but a peace vulnerable to "sanctions" from the U.S. and Japanese hawks, China will seek a firmer, more reliable and invulnerable peace and stability. It is possible, therefore, that China will not be satisfied with the start of the peace system but positively pursue the only formula for a more reliable solution to the peace issue on the Korean Peninsula—the reunification of North and South Korea by

mutual consent and on an equal footing. Second, if North and South Korea attain reunification that promises their future development, it means the birth of a new political and economic power in East Asia. In that case, politically there will be no problems for China because the reunified Korea will follow a neutral course; economically, however, the South Korean capital can possibly shift its investment focus from China to North Korea, creating a North Korea rush. Practically, however, it is unlikely that China will use it as a pretext to interfere with the reunification of the Korean Peninsula. It is because the economic revitalization of the Korean Peninsula will in the long run lead to that of East Asia, a development that will be in the Chinese interest, too.

In general, there is something in common between the Chinese position and the position of moderates in our country. As in the case with the United States and Japan, we see no need for us to have any illusion about China armed with pragmatism from top to bottom; nevertheless, we see a need for an upward adjustment in our assessment of the role of the "China factor" in that China prefers the stability of the Korean Peninsula without a split of public opinion. Anyhow, the hard-liners against the North among us have their ties with the U.S. and Japanese hawks on terms of policy, sentiment and personal relationship; likewise, the moderates among us have their ties with the U.S. and Japanese doves. And their debates should come to a conclusion sooner or later. The North Korea isolation strategy carried on since President No Tae-u's Northern Policy, the strategy of reunification by absorption, has proved a failure. This is the truth behind the so-called ROK foreign policy crisis. The time has come for us to make a decision on changing the direction of our reunification diplomacy. Inasmuch as the said policy led by the hard-liners fell through at an early stage due to its disregard of the "China factor," the future reunification diplomacy should recognize the "China factor" as a reality and, on that basis, explore for options available.

*** Region Seen Needing ROK-PRC Economic Cooperation**

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[By former prime minister Yi Hyon-chae, director of the Korea Research Center for Spiritual Culture]

[FBIS Translated Text] The author had an opportunity to deliver a special lecture to the faculty and students of Beijing University last month at its invitation. The subject was how to promote economic cooperation between the ROK and China. What I noticed in particular from the reaction to my lecture was the audience's keen interest in the need for the formation of a Northeast Asian economic zone. I perceived their thought underlying this interest, namely, the thought that the ROK and China should be at the center of the proposed Northeast Asian economic zone, and that with these two countries as an axle, other countries in this region should be induced to join.

Recently, economic exchange between the ROK and China has rapidly increased in trade and investment and in other fields. There are two sides to this exchange, that is, the complementary side and the competitive side. The ROK is short of natural resources, and recently, it has been feeling the pinch of a labor shortage also. But through the process of economic growth it has accumulated technologies and capital to a certain extent. On the other hand, China is rich in manpower and resources, but it needs foreign capital and technology as it enters the stage of full-fledged economic growth. There is this complementary aspect to economic exchange between the two countries, but the two countries are fiercely competing with each other in the world and domestic markets.

From the ROK point of view, it is a fact that the rapidly growing Chinese economy is greatly contributing to invigorating the ROK economy by providing a new market and creating what is called special Chinese demand for Korean products. In addition, as the ROK began to shift the sourcing of import of primary products, such as farm produce, coal, and petroleum, to China, trade with China contributed to the overall diversification of sources of imports. As a result, China has emerged as the ROK's third largest trade partner. In addition, some Korean enterprises which lost their international competitiveness but whose operations are suitable to China's given condition have moved their operations to China, thereby contributing to expediting the restructuring of the ROK economy.

However, the rapidly growing Chinese industries have spurred an acute competition in our domestic market, with the field of competition ever widening. Currently, China dominates the world market in labor-intensive industrial categories, and the ROK's market share in these categories are shrinking rapidly. China's industrial growth has been spreading to the sectors of home appliances, electronic parts, and shipbuilding, portending a fierce competition with the rival Korean industries. In addition, because of the geographic proximity and the similarity of demand, various Chinese farm products and other daily necessities are eating into our domestic markets.

On the other hand, from the Chinese point of view, the ROK is China's sixth largest trade partner. The ROK does not account for much in foreign investment in China. But the importance of ROK investment to China is increasing in terms of the pace of investment and its substance. The ROK ranks among China's top trade partners in terms of the rate of increase in trade and investment and is becoming more and more important to China. China particularly expects from the ROK a large-scale investment accompanied by technology transfers in areas other than labor-intensive manufacturing and service sectors in which investments from the overseas Chinese zone account for 70 percent of all foreign investment in China.

All these factors considered, the economies of the two countries have much room for mutually beneficial bilateral cooperation. Of course, there exists a relationship of rivalry as pointed out earlier, and it is also a fact that many problems have cropped up in the course of rapidly accelerating economic intercourse between the two countries in a short space of time. For instance, there are problems related to the investment climate, such as: the rapidly growing trade imbalance and the consequential restraints of trade; labor-management disputes in Korean-operated enterprises; and the absence of national treatment. In spite of this, mutual understanding and mutually beneficial economic intercourse are growing overall between the two countries.

This trend of mutual economic dependence is expected to continue between the two countries. Given the prospect of China maintaining its high economic growth rate through reform and openness, diverse forms of economic cooperation in trade, investment, and other areas are expected to expand between the two countries. According to a projection, by 1997 Sino-ROK trade will exceed \$20 billion and the amount of money invested in China by Korean entrepreneurs will amount \$4 billion. If the two countries, with great potential for economic cooperation described above, steadily create a suitable environment to turn this potential into reality to the fullest on the basis of mutual trust, economic cooperation will certainly accelerate still more.

Currently, East Asia is achieving the most dynamic economic growth in the whole world, with an ever increasing trend toward mutual dependence among the nations in this region. Given this circumstance, it is necessary for the ROK and China to forge a dynamic complementary relationship so that each may use its strong points to benefit the other so as to contribute to its development, and each may find a sustaining motive power for its own growth in the other's economic growth. In other words, the two countries need to diversify the existing economic division of labor more extensively, both vertically and horizontally. A diverse bilateral economic division of labor will not only greatly benefit the economies of the two countries but also serve as the main prop in the formation of a Northeast Asian economic zone, which is urgently needed to maintain an inter-regional economic balance in the world. It will certainly pave the way for the two countries to play their key role in the formation of this economic zone.

Debate Over Early National Convention Issue

*SK2112013494 Seoul THE KOREA TIMES in English
21 Dec 94 p 2*

[FBIS Transcribed Text] A controversy has flared up in the nation's main opposition Democratic Party over the two issues—when the party should hold its national convention and what type of leadership format should be adopted.

On the timing of the national convention, the positions of major factions in the party are getting clearer.

DP chairman Yi Ki-taek made it clear in an interview with a weekly that the convention should be held in February or March, saying, "It should be held before the local elections slated for next June."

Meeting reporters at his home yesterday morning, Yi also said that he wanted the convention to take place as soon as possible.

"Right after the ongoing extra National Assembly session is over, party supreme council members should get together and discuss the issue. But I think the council meeting can be convened before the end of the session," he added.

Non-mainstreamers led by Rep. Kim Sang-hyon, archrival of chairman Yi in the race for the party leadership, and Rep. Yi Pu-yong's group of reform-minded lawmakers support Yi's idea.

The three leaders reportedly met recently and discussed the idea of holding the convention in late February or early March.

What draws attention is Rep. Yi's recent move. Following a meeting with chairman Yi on Sunday, he met Chong Tae-chol Monday to exchange views on the issue.

At the meeting, Chong, who was reluctant to reveal his position on the issue, reacted positively to an early national convention, according to a source close to Yi.

Earlier in the day, Yi got together with his faction members at a Seoul restaurant and finalized the faction's position on the issue of the timing of the party's convention.

Rep. Kim Sang-hyon of the non-mainstream group also plans to hold a news conference early next year and officially propose the holding of a national convention in late February.

Rep. Yu Chun-sang has already said that he will run for the race for the party leadership if the convention is held early next year and the current leadership format is changed into a single leadership system.

But, Naewoeyon, a fraternity of the largest faction in the DP composed of followers of retired opposition leader Kim Tae-chung, is going all out to keep other party lawmakers from tilting to an early convention.

Rep. Kwon No-kap, "manager" of the faction, had a series of meetings with co-chairmen Kim Won-ki, Cho Se-hyong and No Mu-hyon, spotlighting the difficulties of holding a national convention before the June local elections.

The three members of the supreme council reportedly support Kwon's position that the convention should be held around next August after the mayoral and gubernatorial elections.

Particularly, Cho met reporters after Monday's supreme council meeting and actively advocated the Naewoeyon's position, saying, "Taking into account the difficult situation of the party and the timing of the local election, it would be better to hold the convention after the local election."

His move, as many party insiders analyzed, results from his desperate need for the largest faction's support for his bid to run for Seoul mayor.

Co-chairman No Mu-hyon, who left the group of reform-minded lawmakers, also opposes the idea of an early convention, saying the aftermath of the convention will surely have undesirable effects on the party's preparations for the June local elections.

Rep. Kim Won-ki has been negative to the idea of an early convention since he met with retired former opposition leader, Kim Tae-chung lately.

The factions are also busy readjusting their positions on the type of leadership.

Chairman Yi's mainstream group is seeking to change the current nine-man collective leadership system into a single leadership format or a collective leadership under a chairman with increased power.

DLP Chairman Meets With Advisers

*SK2112013594 Seoul THE KOREA TIMES in English
21 Dec 94 p 2*

[FBIS Transcribed Text] Apparently heartened by President Kim Yong-sam's assurance to retain the current ruling Democratic Liberal Party leadership system, DLP chairman Kim Chong-pil [referred to as "JP" in local political circles] is busy meeting with party advisors and many conservative figures these days.

Kim hosted a luncheon for DLP advisors at a Yoido restaurant yesterday shortly after their regular meeting during which some advisors took issue with what they claimed is the reformist Minju faction's "high-handedness" which caused the recent intra-party discord.

Pak Yong-man, an advisor who was forced to concede his Seoul Songdong-C electoral district to a young Chongwadae [presidential offices] secretary recently, assailed Home Minister Choe Hyong-u for fanning discord by rashly airing his private opinion as if it was official party policy. "Why doesn't the party leadership take disciplinary action against such action?" Pak asked.

Choe recently suggested that the current party leadership system should be changed into a collective system represented by three "vice presidents" or "co-chairman" at the party's next national convention. His plan was apparently aimed at unseating chairman Kim.

Kim plans to host a meeting of 30 conservative DLP lawmakers, most of them holdovers of past military

regimes, at the Capital Hotel in Itaewon Friday, to form a fraternity of conservative politicians. The fraternity will reportedly be headed by Rep. Kwon Ik-hyon, former ruling party chairman during the Chon Tu-hwan administration.

Reformist Minju faction members are apparently looking askance at the complacency of chairman Kim.

Yet some Minju faction admitted that at present, there is no "suitable" alternative to Kim which can play a "cohesive" role in managing affairs of the party, a mix of heterogeneous political groups.

They forecast that the current system represented by Kim will be maintained until after the local elections in June at the very least.

Rep. Kang In-sop, a Minju faction leader, said, "Could admit that Kim still has a certain influence over Taejon and Chungchongnam-to regions and a conservative segment of our society."

Freedom of Information Law Draft Confirmed

SK2112025594 Seoul YONHAP in English 0237 GMT
21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—The Government Administration Ministry has confirmed a draft version of the Freedom of Information (FOI) Law, which would allow any Korean national to ask public institutions to give out information, the ministry said Wednesday.

The ministry held an open forum to discuss the law's enactment Wednesday before deciding on the final version which will be presented to the National Assembly early next year.

Under the draft version, any Korean can ask public institutions including the government, the National Assembly and the judiciary to release documents, computer data or other forms of information.

Information made available to foreigners will be specified in an implementation decree under the principle of reciprocity.

Some information, however, which may damage national security or diplomatic interests, privacy, the just interests of corporations or enterprises, will not be opened, the draft said.

If public bodies refuse to open information or if their actions are judged unjust, a citizen who requested information can file a protest with the chief of the body.

Should the chief refuse to make the data available, the citizen can ask for a judgement by the Freedom of Information Committee. If the committee judges that the information must not be opened, then the citizen can file an administrative suit.

Meanwhile, the forum saw some criticism that the limits on the information which should not be opened are not clearly stipulated in the draft version and that the appeals process is too complicated.

Government Revamp To Cut Many Positions

SK2112022194 Seoul YONHAP in English 0049 GMT
21 Dec 94

[FBIS Transcribed Text] Seoul, Dec. 21 (YONHAP)—Senior civil servants of grade four or above who are subject to staff cuts at 17 central administrative agencies under the sweeping government revamp are expected to exceed 140.

The Government Administration Ministry disclosed Tuesday that over 20 grade two and three officials and over 90 grade four officials will be displaced at 11 ministries and offices, including the Economic Planning Board.

When officials from the remaining six agencies—the Ministries of Home Affairs, Education, Culture and Sports, Public Information, the Office of Supply and the Rural Development Administration—which have yet to submit surplus manpower disposition plans are added, the figure would reach over 140, the Government Administration Ministry said.

The surplus manpower disposition plans of the 11 agencies including the Economic Planning Board call for transferring to other or newly created agencies six or seven grade two and three officials and over 30 grade four officials, and transferring to affiliated organizations or the private sector four or five grade two and three officials and 15 grade four officials. Two grade two and three officials and over 30 grade four officials are to be sent abroad for training or assigned to international agencies, and two grade two and three officials and seven or eight grade four officials discharged honorably.

To minimize the resulting administrative vacuum, the Government Administration Ministry plans to conduct inter-ministry adjustments promptly as soon as surplus manpower disposition plans are turned in by the remaining six agencies so that new ministers, to be appointed in the forthcoming cabinet reshuffle, may appoint bureau directors-general and division directors immediately upon their assumption of posts.

Grade five or below public officials subject to trimming are estimated to top 760. For these officials, relevant ministries and offices will work out their respective disposition plans, based on which the Government Administration Ministry will make adjustments as is the case with senior officials.

Meanwhile, the Government Administration Ministry has decided to set up a moving manpower management task force in its personnel division for the purpose of looking after public servants to be displaced in the course of restructuring the central government organization.

Foreign Banks Allowed To Accept Notifications

SK2112004494 Seoul THE KOREA HERALD in English 21 Dec 94 p 8

[FBIS Transcribed Text] The government will allow branches of foreign banks operating here to accept notifications of planned investment from foreign investors beginning January next year, the Ministry of Finance said yesterday.

Beginning July 1 this year, domestic banks have been allowed to accept such notifications when foreigners are planning to make investments in business areas liberalized for direct foreign investment.

The ministry said one branch of each foreign bank will be allowed to accept investment notifications, adding that 34 of the 52 foreign banks have applied for permission to do notification-related business.

Thirteen Japanese banks have expressed hopes of accepting investment notifications, the ministry said. They were followed by eight U.S. banks and four French banks.

Foreign bank branches permitted to engage in such business will be required to have an exclusive window manned by their employees, the ministry said. They will be required to report investment notifications they have received to the Ministry of Finance.

They will be allowed to handle capital increases by foreign invested corporations and other business on their behalf, the ministry said.

Permission for foreign bank branches to accept investment notifications will help promote foreign direct investment in Korea, the ministry said.

ROK Receives Last Loans From World Bank

SK2112003294 Seoul YONHAP in English 0009 GMT 21 Dec 94

[FBIS Transcribed Text] Washington, Dec. 20 (YONHAP)—South Korea received its last loans from the World Bank (IBRD) [International Bank for Reconstruction and Development] Tuesday, ending 32 years of ties with the organization as a developing country.

South Korea graduated from the World Bank's loan recipient nations list after the board of directors approved the final two cases—75 million U.S. dollars for waste disposal facility construction and 100 million dollars for Pusan City road expansion, said Won Pong-hui, the bank's alternate executive director.

The board made the decision because South Korea is no longer considered a developing country.

The World Bank extended its first aid to South Korea in 1962, 14 million dollars for railroad construction. Seoul received loans over the next 32 years totaling 8,719 million dollars in 120 cases.

Burma

Foreign Minister Responds to UN on Human Rights

BK2112123794 Bangkok THE NATION in English
21 Dec 94 p A 6

["Response" by Foreign Minister U Ohn Gyaw to Yozo Yokota, UN special rapporteur of the UN High Commission on Human Rights; issued 5 October; place not given]

[FBIS Transcribed Text] Please specify the reasons, including reference to specific legal authority, for keeping Daw Aung San Suu Kyi under house arrest after 20 July 1994, and please indicate precisely when the Government intends to release her.

The Myanmar (Burmese) authorities, in the statements made since action had to be taken against Daw Aung San Suu Kyi made known the reasons for restraining her:

(a) That she had been influenced by anti-government, opportunistic politicians and insurgent groups in their attempt to seize political power for their own end, at a time when a political vacuum developed by the people's genuine desire to forsake the socialist economic system and their yearning for the return to a multi-party democratic system;

(b) For her own good and for the good of the country she had to be restrained in order to prevent her from promoting the cause of these unsavoury political elements who found their way and got themselves into positions of influence around her to create disunity among the only unified establishment left in the country, the tatmadaw (military), which was endeavouring to stabilize the situation created by the political vacuum;

(c) Despite repeated caution on the part of the authorities, she made seditious speeches inciting the people to acts of violence and to cause division within the armed forces and division between the armed forces and the people.

The specific legal authority for restraining Daw Aung San Suu Kyi is the 1975 Law to Safeguard the State against the Dangers of Those Desiring to Cause Subversive Acts. Under this law if there are reasons to believe that any citizen has done or is about to do any act which infringes the sovereignty and security of the State or public peace and tranquility, the Council of Ministers is empowered to pass an order, as may be necessary, restricting any fundamental right of such person.

Also, under section 10 (b) and section 14 of this 1975 Law to Safeguard the State against the Dangers of Those Desiring to Cause Subversive Acts, there is the legal basis for the restraint of Daw Aung San Suu Kyi after 20 July 1994. Under this Law the Council of Ministers may pass an order as may be necessary restricting any fundamental right of a citizen if there are reasons to believe

that he has committed, or is committing, or is about to commit, any act which infringes the sovereignty and security of the State or public peace and tranquility. To exercise such power a Central Body, consisting of the Minister for Home Affairs as Chairman, and the Minister for Defence and the Minister for Foreign Affairs as members has been formed.

The Central Body in passing restriction orders for safeguarding the State against dangers has the following powers:

(a) Arresting and detaining a person for a period not exceeding 60 days at a time, up to a total of 180 days;

(b) Restraining a person up to one year.

If it becomes necessary to extend the period of detention or restraint, the Central Body may be authorized by the Council Ministers to detain or restrain a person for period not exceeding one year at a time, to a total of five years.

In accordance with section 13 of the Law, the Central Body shall obtain the prior sanction of the Council of Ministers if it is necessary to continue the restraint the person against whom action is taken for a period longer than contained in section 10.

In so doing, in accordance with section 14 of the Law, the Council of Minister may, in granting prior sanction to continue the detention and arrest or to continue to restrain, permit a period not exceeding one year at a time up to a total of five years.

Hence, the Central Body can restrain person for one year with its own mandate under section 10 (b) of the Law, and with the prior sanction with the Council of Ministers, can extend the period of restrain for five years in accordance with section 14 of the Law.

In view of the foregoing, there is the legal basis for restraining Daw Aung Sa Suu Kyi after 20 July 1994 based on section 10 (b) and section 14 of the 1975 Law to Safeguard the State against the Dangers of Those Desiring to Cause Subversive Acts.

Please describe in as much detail as possible the present status of Daw Aung San Suu Kyi's physical health.

Regarding her physical wellbeing, other than being allowed to move outside her compound, she is free to live as she wishes within her property and enjoy all other privileges. She lives as she pleases, listens the radio, watches television, reads, writes, exercises, sings and plays the piano and guitar. She has always had one maid to help her.

—She has no social difficulties. She can meet freely with her immediate family, and since the beginning of her restraint, her husband, Mr Michael Aris, has visited her nine times, her elder son Alexander five times, and

her younger son Kim eight times. She is allowed to write freely to her family and receive correspondence and parcels from them.

—She can meet freely with relatives who come to meet and live within her compound. She can also invite revered monks to her house to offer alms to them.

—Apart from giving Congressman Bill Richardson the opportunity to meet with Daw Aung San Suu Kyi two times when he last visited Myanmar, arrangements were made for her mother-in-law, Mrs Evelyn Aris, on her arrival in Yangon on 28 October 1994, to spend a week together with Daw Aung San Suu Kyi.

—Daw Aung San Suu Kyi is in a good health.

Please detail the Government's position with regard to maintaining dialogue with Aung San Suu Kyi, indicating the timeframe the Government intends to follow in this regard.

The Chairman of the State Law and Order Restoration Council, Senior General Than Shwe, and First Secretary Lieutenant General Khin Nyunt, met with Daw Aung San Suu Kyi on 20 September 1994. Subsequently, another meeting took place between Lieutenant General Khin Nyunt and Daw Aung San Suu Kyi on 28 October 1994. Brigadier General Than U, the Judge Advocate General, and Brigadier General Tin Aye, the Inspector General of the Defence Services, were also present at the meeting. Such meetings are expected to take place again. Meetings with Daw Aung San Suu Kyi are regarded as purely an internal affair of Myanmar.

Khin Nyunt Meets With Shan Leader 20 Dec

BK2012144894 Rangoon Radio Myanmar in Burmese 1330 GMT 20 Dec 94

[FBIS Translated Text] Lieutenant General Khin Nyunt, chairman of the Work Committee for the Development of Border Areas and National Races and secretary-1 of the State Law and Order Restoration Council, met with U Takleh, chairman of the Shan State Nationalities Peoples' Liberation Organization, and party at the Defense Services Guest House on U Yin Road in Yangon [Rangoon] at 1600 today. At the meeting discussions were held on the development of arable land for regional development, transportation, and economic matters.

Brunei, Malaysia & Singapore

Malaysia

Mahathir Returns From Summit, Discusses Bosnia

BK2012095794 Kuala Lumpur Voice of Malaysia in English 0800 GMT 20 Dec 94

[FBIS Transcribed Text] Datuk Sri Dr. Mahathir Mohamed has expressed confidence that Islamic countries are capable of using economic sanctions against

countries helping the Serbs in Bosnia-Herzegovina. He says such sanctions must be a selective action, particularly involving those with more economic clout.

The prime minister made the statement on his return to Kuala Lumpur today after attending the Islamic Conference Organization [OIC] Summit in Casablanca and a subsequent visit to Croatia. He said the sanctions proposal is in line with the recent Islamic Conference Declaration in Casablanca calling on Muslim countries to review their economic ties with countries supporting the Serbs.

Datuk Sri Dr. Mahathir also said Islamic countries must have the material strength to defend themselves. Such a strength is important because the oppressions facing Muslims worldwide are the result of their weaknesses. He expressed concern that the Bosnian conflict would drag on for years because the Serbs are not sincere and want to grab all the Bosnian and Croatian territories.

*** Mahathir: APEC Declaration Nonbinding**

95SE0040A Kuala Lumpur BERITA HARIAN in Malay 16 Nov 94 pp 1, 2

[FBIS Translated Text] Jakarta, 15 November—Malaysia declared on 15 November that it did not wish to be bound to a time schedule to implement a program of trade liberalization. The declaration of the chiefs of state of the Asia Pacific Economic Cooperation [APEC] forum listened to the Malaysian views on this subject.

Malaysia's views were accepted as an attachment to the eight page APEC declaration, which was read by President Suharto at 1545 on 15 November in Jakarta.

Prime Minister Dr. Mahathir Mohamad said that he agreed with the declaration of the chiefs of state of the APEC countries but that he would not force member states to open up their markets by the year 2020 if they were not yet ready to do so.

Speaking at a press conference on 15 November, he said that Malaysia considers that the APEC member countries need to implement the World Trade Organization (WTO) treaty and the Uruguay Round.

He said: "Malaysia will only implement a trade liberalization program based on the economic condition and development needs of the nation."

He continued: "This process of liberalization must be in accordance with the procedures of the General Agreement on Tariffs and Trade (GATT) and the WTO. The trade liberalization process must also be open to countries that are not members of APEC."

According to Prime Minister Mahathir, the attachment to the treaty prepared by Malaysia will be used as a point of reference by officials planning for the trade meeting in Osaka, Japan, in 1995.

Dr. Mahathir said that Malaysia did not agree with the time schedule in the APEC declaration because what is important is not setting out a schedule but the intention of the APEC countries to achieve the objective of free trade. He said: "If, by the year 2020, the members of APEC and of the developing countries are not yet able to compete with other member states, they cannot be forced to open their markets."

Regarding the economic capacities of Malaysia, the prime minister said that if national economic growth continues at 8 percent per year, it is estimated that Malaysian per capita income by the year 2020 will be \$16,000, or roughly equal to that of the developed countries now.

He said: "The economies of the developed countries will also grow, and if their per capita income increases at the same rate, this means that by the year 2020 the per capita income of the developed countries will be \$60,000."

He stated that if, by the year 2020, Malaysia was unable to compete with the developed countries, it could not open its markets as wide as possible. He said that, although the APEC declaration was not binding on the members of the forum, every country needs to work hard to reach the level of the developing countries.

According to Dr. Mahathir, this Malaysian view was not opposed by any of the chiefs of state. Indeed, President Suharto agreed with including the Malaysian views as an attachment to the declaration.

In answer to a question the prime minister said that the APEC chiefs of state did not set a date for implementing a free trade system.

He said: "We are not bound to a schedule, and it was left to the member nations to express their ideas on the way to implement the APEC objective."

Regarding a definition of trade, Dr. Mahathir said that he must base such a definition on what was contained in the GATT and WTO treaties. He said: "This matter needs to be clarified because there are some groups which are trying to broaden the definition of trade to include the banking, insurance, and shipping sectors, as well as several other kinds of services."

According to the prime minister, the discussions held on 15 November went well, and Indonesia is making orderly preparations to celebrate the APEC meeting.

* UMNO Assembles on Religion, Social Issues

95SE0039A Kuala Lumpur BERITA HARIAN in Malay 17 Nov 94 p 10

[FBIS Translated Text] The Freedom Council Room at the World Business Center in Kuala Lumpur once again is the site of the UMNO [United Malays National Organization] General Assembly. Although there will be no elections for the top leadership, the meeting is still important because it will determine the direction of

UMNO action in the future. It will not just test the maturity of the delegates attending the meeting but will show how UMNO is able to serve as the hard core for the development of religion, the nation, and the state. BERITA HARIAN reporters Lichong Angkui and Faizal Fadzil examine the proposals which will be brought forward at the meeting.

The 38th UMNO General Assembly will present four proposals for discussion by party delegates attending it. In addition to the principal address by the president of UMNO, which is presented every year, and the installation in office of the auditor of accounts, two other proposals, on religion and social and community problems, are considered important and interesting enough to be examined in detail.

The latter two proposals are major matters which are being discussed a great deal at present and now affect all community groups, including the Malays who are the principal element of UMNO strength. Bringing forward these proposals is considered appropriate when government leaders are trying to develop a Malaysian nation which is progressive, dynamic, and radiant.

Precisely for that reason, the UMNO General Assembly is not just an ordinary meeting. It will discuss new concepts which will be the foundation for our struggle over the long term. Decisions reached here will not just characterize the future of our nation and state as a whole but will be an important foundation for the development of a Malay community which is expected to dominate the world in the next century.

Alvin Toffler, the well-known Western futurologist, and Islamic thinkers like Malek Ben Nabi and Professor Fazlur Rahman have expressed the conviction that the coming century will belong to the Malay nation.

Hilmy Bakar Almascaty, an Indonesian free lance reporter, in his book, *The Malay Community: the New Power of the 21st Century*, has also outlined out several characteristics of the Malay nation which will make it possible for it to take over power from the Western nations in the next century.

Among these characteristics is the fact that the Malay nation follows the Islamic religion and puts it into practice as a way of life. For that reason the foundation for its progress is based on the Islamic religion, which is the best alternative to all other systems in the world, which are now bankrupt. Islam is the support of the Malay community in the process of taking over power in the world.

Another argument which he presents is the splendor of the Malay civilization of the past. The coming of Islam changed the spirit of the Malays and made them a dynamic and creative nation. The Malay world was never short of Islamic thinkers who were born in every generation in this region of the world.

He says that, at the same time, the emergence of Islamic thinkers led to the creation of a number of intellectual institutions and the appearance of Islamic scholars who trained fighters to handle the problems of the people.

Hilmy also discusses other factors, such as the emergence of a group of Islamic scientists, technocrats, and statesmen; modern, mature economic and industrial growth; and the stability of Islam as confirmed by Islamic activity, particularly among the younger generation—a special feature of the nation.

He mentions a positive attitude among the Malays; a stable political situation; the emergence of an elite group which desires to be the guide of the people; natural wealth; large resources of energy; speaking the same language; and patriotic armed forces. These are the foundations of incomparable power.

UMNO, which represents about 2.9 million Malays who are Muslims, certainly has an important function in mobilizing the effort to exploit the potential found within the Malay nation to dominate the world.

Therefore, the issue of religion and social and community questions which will be discussed by the leaders of the Malay nation, especially, and the Malaysian people, in general, are very relevant to what they want to achieve in the future.

This is because, as has been stated, religion is indeed a factor which will determine the power of the Malay nation. In addition, social questions which, for the most part, involve matters of behavior and responsibility by the various community groups, including children, adolescents, youth, government officials, leaders, and parents, will also determine the character of the Malay community in the future.

The power of a given nation depends on moral force, and moral force can only be developed in a truly healthy community and social atmosphere.

Precisely because of that the issues of religion and social and community matters which will be discussed at the UMNO General Assembly will certainly become the point of departure for the awakening of the Malay community in this country, specifically, and the world, in general. Only the results of really high quality discussion and impressive implementation can determine how long it will take for the views of Western observers and Islamic thinkers mentioned above to become realities.

Clearly, it is still important for the two proposals concerned to receive attention in the process of planning a national, political agenda. This process cannot be separated from the basic party struggle to navigate through the national, political sea.

The proposal regarding religion (Islam, in this context) is important because recently the opposition parties, and particularly the PMIP [Pan-Malaysian Islamic Party], have begun to express their views on the implementation

of religious law in a way which cannot be accepted, not only by those who are not Muslims but even by the followers of the Islamic religion itself.

Not all members of the Islamic community in this country like the way the PMIP handles various religious issues. The violent statements made by the PMIP, particularly its statements on the limits of the law, are surprising. The impatience of that party, which wishes to apply its views before detailed research is undertaken by various religious teachers, is certainly an interesting subject for examination by the delegates to the UMNO General Assembly.

In any case representatives attending the General Assembly need to be more careful in expressing their views. A scientific attitude should be given adequate attention in clarifying their respective views.

If they do not do this, unclear remarks made by delegates to the General Assembly will be exploited by the opposition, which will use them as weapons to harm UMNO itself. The delegates also should have their defenses ready when they discuss this question. The same is also true of questions like confused teaching which the government has successfully exploited.

Words used by delegates should be considered carefully. If they do not do so, some of the people involved may return and make things worse after initially and calmly accepting the decisions of the Islamic Center and the Committee on Legal Affairs of the National Council.

In this connection comments made in the context of religion by delegates, and particularly by Dr. Mahathir Mohamad, the president of the party, and Anwar Ibrahim, his deputy, must be accepted and used as points of reference, not only in dealing with the next general elections but in the daily life of the delegates themselves. These comments show the proper path leading to the implementation of Concept 2020.

Meanwhile, UMNO recognizes that there are non-Muslims who have become members, particularly in the State of Sabah. They must also support Islam as the official religion of the nation. Religion cannot be ignored in the process of developing the Malay nation because it will bring into being a generation with a noble character and values.

For UMNO the question of Islam has truly been emphasized for a long time. Indeed, when the UMNO General Assembly was held in 1988, Dr. Mahathir spoke at length about the importance of Islam in the process of developing the nation.

The UMNO leadership thinks that emphasis needs to be placed, not so much on forms called Islamic, but on the message of values which reflects true Islamic identity. The Malay nation needs to be united and advanced so that it will be strong. If it splits into factions and loses ground, it will be insulted and oppressed by other nations which are far more advanced.

What is clear to UMNO is that Islam will continue to be its solid core in supporting and defending the Constitution of the nation and the Constitutions of the various states, as well as the system of leadership under the paramount ruler. That is the basis of the efforts made by UMNO as the solid core of the government of the country.

Regarding the agenda item on social and community questions, it is considered very appropriate to bring these matters up. The question of the decline in moral standards among the younger generation includes involving Malay youth in resolving problems like AIDS, venereal disease, truancy from school, drug abuse, and free love, which are becoming increasingly prevalent.

It is very possible that issues of morality among our leaders will be raised by delegates to the UMNO General Assembly. If this happens, it is possible that there will be delegates who do not wish to raise this matter directly. Veiled references and innuendoes may be made, woven through the various speeches with their own characteristics.

The most important consideration this time is that we will see how far the maturity of the delegates is tested in discussing these matters. This meeting needs to discuss ideas, views, and proposals concerning social symptoms among the people, particularly as they affect Malay youth.

This is important for use as a guide in discussing possible solutions. Indeed, views expressed at the meeting this time may help UMNO leaders frame a mechanism for action. UMNO is indeed aware of the challenges faced by the Malay community.

More than that, the meeting this time is not just a place to discuss ideas. Rather, the meeting will serve as an opportunity for the delegates to try to be models in applying whatever is discussed and considered.

This is the first time that an UMNO General Assembly has discussed social and community questions. It was decided to do this because the party leadership was concerned that, if this matter is not dealt with, the objective of developing the country will not be fully achieved.

The various indications demand a positive solution to these problems. The answers to the problems raised now lie in the hands of the 1,894 delegates scheduled to attend the meeting.

The most important aspect is that the meeting this time should be fully used to strengthen the party machinery, particularly in connection with the next general elections. Such a meeting needs to be made into a field for "discussing everything which has not yet been discussed," "resolving everything which has not yet been resolved," and "clearing up whatever is confused."

Only by making complete preparations can we be sure of reaching mature conclusions. This will be accomplished if the meeting of 1,894 delegates from 165 sections representing more than 16,000 branches is fully made use of. Have a good general assembly meeting!

Indonesia

NCHR Claims Rights Record 'Improved' in 1994

BK2112060894 Jakarta THE JAKARTA POST in English 21 Dec 94 p 8

[Editorial: "RI Records on Rights Improve"]

[FBIS Transcribed Text] Jakarta (JP)—Indonesia's human rights records improved in 1994, the National Commission on Human rights [NCHR] pronounced yesterday, while also taking some of the credit for itself.

"We disagree with any opinions stating that Indonesia saw a set back in terms of human rights in 1994," Commission Secretary General Raharuddin Lopa told a press conference called to review the organization's first hectic year.

Although he made no direct reference, his remarks were clearly intended to refute the claims of the Indonesian Legal Aid Foundation (YLBHI) early this month. The YLBHI stated that despite improvement in some quarters, Indonesia's overall human rights record suffered a set back this year compared to 1993.

Lopa said the commission, formed late last year but only became active in 1994, helped improved the protection of human rights in Indonesia.

In its first year the commission received 2,276 reported cases of human rights violations and of these, it arbitrated over 334 cases to bring about settlements.

This is not a bad record given that the powers of the commission are limited. Lopa said.

The cases that were brought before the commission ranged from land disputes, labour conflicts, allegations of human rights abuses, and also religious matters. In the majority of cases, the commission simply issued its recommendations to the government authorities.

Lopa, who is also the Director General for Correctional Institutions, was accompanied at the press conference by commission deputy chairman Marzuki Darusman and commission member A.A. Baramuli.

The commission was established last year under a presidential decree. Although its members including chairman Ali Said, were selected and appointed by President Suharto, it has defied skeptics and even won admiration from its critics by managing to show its independence of the government in its first year.

"This is not a 'yes-man' commission. If the government is wrong, we will say so," Lopa said."

Marzuki said it might be premature to pass judgement on the commission after only year.

"It needs time to improve the way it works," he said, adding that a more objective assessment would come once its commission's members completed their five-year assignments.

There statements on controversial public issues from the commission last year show to a large extent the independence of the commission, according to Lopa. He also pointed out that the commission is not empowered to act and can only make suggestions to the government.

One statement issued early this month appealed to the police to reopen the case of the murdered labor activist Marsinah, after the high court acquitted a man whom the lower court previously convicted as the brain behind the killing.

He recalled that the commission also launched an investigation into allegations that the murder suspects were tortured. It concluded with a recommendation that the authorities keep in mind the fact that they might be trying the wrong people and that the real murderers might still be at large.

"Had they listened to our proposal in the first place, the situation would have been much better," Lopa said.

Another statement addressed the government closure of three news magazines, TEMPO, EDITOR and DETIK in June.

The commission regretted the decision, which it saw as a violation of the freedom of expression guaranteed by the Constitution and questioned the legality of the closures.

The commission also offered to mediate between the government and the displaced journalists.

The other statement was critical of the Supreme Court's reversal of its own ruling on the highly charged Kedung Ombolan dispute.

Having won plaudits for a ruling made in favor of 34 Kedung Ombo villagers in their court battle against the government, the Supreme Court in a surprise move rescinded its own ruling, and handed victory to the government.

The commission, Lopa said, issued a statement regretting the decision and questioned the reason behind the move.

Lopa said the commission expects that the 34 villagers will finally get a fair and objective decision in their prolonged dispute with the government.

Lopa said the Commission has also submitted a proposal asking that the government and the House of Representatives ratify two UN human rights documents. One regards a convention on the Elimination of All forms of

Racial Discrimination and another a Convention against Torture and Other Cruel, Inhumane, or Degrading Treatment or Punishment.

* Minister on World Oil Demand, OPEC Quotas

95SE0033B Jakarta MERDEKA in Indonesian
17 Nov 94 p 12

[FBIS Translated Text] Jakarta, 16 Nov (MERDEKA)—Minister of Mining and Energy I.B. Sudjana said that world oil demand is expected to rise by 1 million barrels per day in 1995. I.B. Sudjana said this Wednesday, 16 November, in Jakarta as he answered reporters' questions about the 97th OPEC conference, which will take place in Denpasar, Bali, from 21 to 23 November.

He said that during the fourth quarter of 1994, world oil demand has been about 67.25 million barrels per day, making an annual average of about 65.91 million barrels per day. World oil consumption in the first quarter of 1995 is expected to be 67.79 million barrels per day. In the second quarter, it will decline to 65.72 million barrels per day (because of the summer season). It will rise to 65.78 million barrels per day in the third quarter, and it will increase further to 68.21 million barrels per day in the fourth quarter.

According to Minister Sudjana, oil supplies from non-OPEC countries in 1995 are expected to average 41.04 million barrels per day, a slight increase [as published] over the average 1994 figure of 41.43 million barrels per day.

Oil supplies from OPEC countries in 1995 are expected to average 25.52 million barrels per day, an increase from the 24.87 million barrels per day in 1994.

When asked about world oil production quotas in 1995, the minister of mining and energy said that, ideally, the production quota for OPEC member countries will remain at the current 24.52 million barrels per day. Any quota increase agreed to in the OPEC conference in Bali will be to a maximum of 25 million barrels per day.

Sudjana said three main subjects are to be discussed at the 97th OPEC conference in Bali: election of a new secretariat-general, setting a production ceiling (quota) for the first quarter of 1995, and the OPEC secretariat's budget for 1995.

If the conference goes smoothly and reaches agreement, the goals achieved will have a positive impact on world oil prices. This means that for Indonesia, the short-term goals for state revenues from the oil and natural gas sector in the 1994-95 APBN [National Budget] will be achieved.

* Experts on 2020 Trade Liberalization Goal

95SE0033A Jakarta KOMPAS in Indonesian 16 Nov 94
p 3

[FBIS Translated Text] Jakarta (KOMPAS)—Indonesians need not worry about the agreement

announced in the Bogor Declaration to form an Asia Pacific Free Trade Region in 2020. Besides already possessing a basis for economic expansion, Indonesia also has 26 years to get ready; and that is deemed enough.

Following are excerpts from comments made by several economic observers, businessmen, and government officials interviewed by KOMPAS following President Suharto's announcement on Tuesday, 15 November, of the results of the APEC Economic Leaders Meeting (AELM).

Mari Pangestu: "Good. I am happy with the decision. For me, the most important thing is not the time frame but how we achieve this trade liberalization," he said.

The thing that pleases him even more is that the liberalization of trade is being done openly and consistent with the GATT agreement. "This is the true key to the decision. The decision is different from that proposed by Dr. C. Fred Bersten, who said that trade liberalization should be on a reciprocal basis, with a variety of conditions ('conditional')."

As for domestic preparations, Mari said that the question now is not whether Indonesia is ready or not. "We have no choice but to take part in the liberalization of trade. The important thing now is that if we are not ready we should be aware of it so that we can take corrective action, and 26 years is a long enough time."

Anwar Nasution: This economic observer said that what APEC has achieved is far more advanced than Europe's achievement in the EC. Just look: The EC is only now being realized, although talks began in 1957.

"Nevertheless, the APEC decision is realistic in that it is voluntary and does not force its members to participate in every APEC program," he said. Such coercion would not be possible, because there are very great differences in economic development among Asia Pacific countries.

Anwar also said that the next step must be to create special commissions to discuss the details of tariff reductions and timetables for certain commodities. "If these commissions are not formed, how can we achieve any progress?" he asked.

Sukamdani Sahid Gitosarjono: This businessman, who is also known in the hotel sector, said that now is the time for Indonesia to overhaul the technology it uses in manufacturing. By improving the quality of technology, it is very likely that the quality of products will also be improved. Also, we should not depend merely on producing things such as textiles and automobiles that rely on imported raw materials. "Such commodities cannot be primary ones," he said. He said, too, that operations in the hotel and financial services sectors must be upgraded immediately.

Iman Taufik: The deputy general chairman of KADIN [Chamber of Commerce and Industry] feels that a period

of 26 years should be enough for Indonesia to prepare itself to face liberalization of APEC trade. "If we are not ready, we must be stupid," he said.

Iman Taufik said that for its part, the government should begin to eliminate distortions, like special treatment for certain businessmen. "Such special treatment will reduce the enthusiasm of many people," he said.

As for businessmen themselves, Iman Taufik said they need to improve their work ethic. "Our businessmen are snobbish. Although one may not yet amount to anything, he already has a plane or a personal jet," he said. We should imitate businessmen from Taiwan, whose offices are not decorated with all kinds of accessories but who are tops in the marketplace.

He said he is very optimistic that if these things are done, Indonesia will achieve trade liberalization within APEC when the times comes. "Moreover, we have the support of abundant natural resources," he said.

Siti Hartati Murdaya: "I am very sure that after APEC and free trade have been accepted, Indonesia will benefit. There will be no more worries. There will be no more quotas. Indonesia has long worried that there would be exclusive use of quotas. Therefore, when there is free trade and no more quotas, Indonesia is certain to feel good. The United States is known for its stubbornness toward Indonesia. In the shoe sector, for example, it has tried to block the entry of Indonesian products. Their excuse is human rights, although there has been no substantiation. There are many who want their shoe products to dominate the U.S. market again," said Hartati Murdaya.

Hartati said that through free trade Indonesian products can be exported everywhere and can no longer be blocked. The question now is how we can prepare for free trade so that we will not be too dependent on the developed countries.

Minister of Industry Tunku Ariwibowo: The APEC agreement on liberalization of trade by 2020 is not a threat to Indonesian industry. He is confident that when the agreement goes into effect, our domestic industry will be able to compete with industrial products from other countries.

"The year 2020 is still a long way off. In other words, Indonesia still has 26 years to prepare itself. He have experience in intensive development of industry, especially in manufacturing, which has undergone very rapid growth in the last 10 to 15 years. Therefore, we should not be worried about the agreement," he declared.

He admitted, however, that the industrial sector in Indonesia still faces many challenges, including bureaucracy and the continued existence of regulations that do not support efficient business. Therefore, the government is determined to cut bureaucracy by such things as simplifying licensing procedures. The government's determination to prepare for the APEC agreement will

encourage domestic industry to be efficient and reduce the burden of a high cost economy.

Tunky said that Indonesia will steadily reduce tariffs on imports as an effort to encourage the competitiveness of domestic industry with imported products. "If we neglect efforts toward competitiveness, our national industry will become weaker, and in the end the Indonesian people themselves will be the losers," he added.

Minister of State for Investment Sanyoto Sastrowardoyo: The APEC agreement challenges Indonesia to keep improving itself so that it will have a high level of competitiveness. Sanyoto said that from the aspect of capital investment, Indonesia does not worry about competition from other countries, but it is necessary to find out how a greater percentage of investments can be brought to realization.

According to statistics, about 51 percent of foreign capital investment in Indonesia is realized. This represents a challenge that realization be increased through provision of skilled manpower and of infrastructure such as water, electricity, roads, and ports. "If these are not prepared, realization will continue to move sluggishly," he said.

Laos

Minister Greets SRV Counterpart on Army Day

BK2112124294 Vientiane Vitthayou Hengsat Radio Network in Lao 0430 GMT 21 Dec 94

[Message of greetings from Lieutenant General Choum-mali Sai-gnason, national defense minister, to General Doan Khue, national defense minister of the SRV, on the 50th founding anniversary of the Vietnam People's Army—date not given]

[FBIS Translated Text] Respected Comrade General Doan Khue: On the occasion of the 50th founding anniversary of the Vietnam People's Army [VPA], on behalf of cadres and combatants of the entire Lao People's Army [LPA] and in my own name, I would like to convey warm salutations and greetings, close, fraternal solidarity and affection, and best wishes to you, comrade, and all fraternal cadres and combatants of the VPA.

Throughout the past 50 years, under the talented and clear-sighted leadership of the former Indochinese Communist Party or the present Communist Party of Vietnam [CPV], complying with the sacred teachings of most beloved and respected President Ho Chi Minh, the VPA has always promoted and expanded the patriotic spirit, overcome various obstacles to defeat the imperialist aggressors, and systematically won great victories, thus safeguarding the socialist construction cause in the northern region, liberating the south, and marching forward to achieving complete victory. Following the victory, the VPA has led the country to usher in a new

era of independence, unification, and social progress, and gloriously fulfilled its historic duty. It has won heroic deeds in the national liberation cause as well as the cause of securely defending and building socialism.

The LPA is very proud of having a true friend like the VPA, which has maintained the traditions of fighting in the same trenches, sharing weal and woe, sharing grain and vegetables, and together carried out the struggle to gain independence and freedom for their respective countries. The LPA and multiethnic Lao people pledge to do everything possible to maintain, foster, and further strengthen the special friendship and solidarity between the two nations and two armies to defend the revolutionary fruits for the benefits and progress of the two countries.

I am convinced that under the beacon of the resolution of the Seventh CPV Congress, with the profound spirit of patriotism, and with the traditions of heroic struggle, the fraternal Vietnamese army and people will be able to win new, ever greater success in carrying out the comprehensive renovation cause and building the modern and all-around strong VPA, thus positively contributing to the safeguarding of peace in the Asia-Pacific region and the rest of the world.

On this glorious occasion, I wish for the everlasting special friendship, solidarity, and cooperation in all respects between the two nations and two peoples of Laos and Vietnam. I wish the comrade minister good health, happiness, and many successes in performing your noble and glorious tasks.

Editorial Welcomes Visit by Russian Delegation

BK2112124494 Vientiane Vitthayou Hengsat Radio Network in Lao 0000 GMT 21 Dec 94

[Editorial in 21 December edition of PASASON: "Wholeheartedly Welcome High-Level Delegation of National Assembly of Russian Federation"]

[FBIS Translated Text] In response to an invitation of the National Assembly of the Lao People's Democratic Republic [LPDR], a high-level delegation of the National Assembly of the Russian Federation led by His Excellency Aleksandr Vengerovskiy, vice chairman of the Duma of the Russian Federation, will pay an official friendship visit to the LPDR from 21 to 24 December 1994. The Lao people throughout the country, as well as residents of Vientiane and all members of the National Assembly of the LPDR, are wholeheartedly pleased to have the high honor to welcome the high-level Duma delegation of the Russian Federation.

The official friendship visit to the LPDR today by the high-level National Assembly delegation of the Russian Federation is considered an event of great significance. It is regarded as a contribution to further promoting and expanding the relations of traditional friendship and increasingly strengthening the mutual trust and cooperation in various fields between the peoples of Laos and

Russia as well as between the legislative organizations of the two countries, thus worthily contributing to the safeguarding of world peace and stability and the maintenance of mutual understanding in Southeast Asia and the Asia-Pacific region.

Laos and Russia have maintained the relations of traditional friendship for a long time. They have given cooperation and assistance to each other in the past. With the conviction of the expansion of the cooperation on the basis of equality and mutual benefit, the two peoples of Laos and Russia will continue to maintain and expand the friendship relations on the basis of the respect for each other's state independence, sovereignty, and territorial integrity, noninterference in each other's internal affairs, equality, and mutual benefit, and on the basis of the (?principles) of international laws.

The signing of the treaty on foundation of the friendship relations between the LPDR and the Russian Federation in March 1994, the agreement on scientific and cultural cooperation, and protocol of economic and trade cooperation between governments of the two countries, and cooperation in other fields have marked a new milestone of an ever effective development of the friendship relations and the enhancement of mutual trust and cooperation in various domains in accordance with the new mechanism to bring about concrete interests to the two peoples of Laos and Russia.

On this occasion, the Lao people across the country, as well as all members of the National Assembly of the LPDR, wish the high-level delegation of the National Assembly of the Russian Federation glorious success in this official friendship visit to the LPDR.

Philippines

Communist Chief Questions Future of Peace Talks

BK2112062994 Manila PHILIPPINE DAILY INQUIRER in English 19 Dec 94 p 2

[Report by Bobby Timonera]

[FBIS Transcribed Text] The violent dispersal of demonstrators protesting the Senate ratification of GATT Uruguay Round has demolished hopes that the failed talks between the government and leftist rebels could be revived, Communist Party founder Jose Ma. [Maria] Sison said yesterday.

"In escalating the violence of the state against the people, the Ramos regime is making permanent the collapse of the GRP-NDF [Government of the Republic of the Philippines-National Democratic Front] exploratory talks declared by its own negotiating panel," said Sison, who issued a statement as chair of the International Network for Philippine Studies.

Hundreds of protesters, mostly students, were dispersed during a rally protesting the Senate ratification of the General Agreement on Tariffs and Trade last Wednesday.

Among those attacked by police were Nathaniel Santiago, secretary general of the Bagong Alyansang Makabayan [New Nationalist Alliance], and Amante Jimenez, Jr., national chairman of the League of Filipino Students.

The exiled communist leader who is said to have reassumed the top CPP [Communist Party of the Philippines] post, said the dispersal was a "clear proof of the hypocrisy of the Ramos puppet regime in trying to pass itself off as one interested in peace and reconciliation."

Sison said it "makes absurd the so-called unilateral cease-fire" declared by the government for the Christmas season.

He urged the people to step up protests against the "treasonous policies" of the Ramos Administration.

High Officials Comment on Cease-Fire Violation

President Ramos Comments

BK2112084894 Quezon City PTV-4 Television Network in English 0657 GMT 21 Dec 94

[Weekly news conference by President Ramos with domestic and foreign correspondents at the Malacanang Palace in Manila—live]

[FBIS Transcribed Excerpt] [passage omitted] [Unidentified correspondent] Sir, you mentioned this morning at the Armed Forces of the Philippines [AFP] anniversary celebration that the government will stand by its commitment to observe unilateral 24-day suspension of offensive military operations. May we just be clarified on the standard procedure during... [pauses] whenever there is provocation such as the attacks in Kalinga and the one in Cotabato recently?

[Ramos] Well, first of all, the AFP is authorized to defend itself. Secondly, the AFP is mandated to defend population centers; centers of government authorities, such as municipal buildings, police stations; also major projects whether private or public of great significance for people's welfare, and this includes roads, bridges, telecommunication networks, and even private establishments where public welfare is greatly affected if they are not secured.

[Correspondent] Sir, does this preclude follow-up operations; for instance, a few days after the attack and then the AFP would like to conduct follow-up operations in these areas?

[Ramos] That is perfectly authorized because that is part of defending itself, and besides they may be attacking in the direction of a barangay [village] or a poblacion [town]. And maybe some hostages have been taken;

maybe some property has been stolen. Those things are what justify AFP follow-up operations. [passage omitted]

[Second unidentified correspondent] Congressman Jose Yap has received already the recommendations from the National Democratic Front [NDF] in Netherlands, sir, on the safety and immunity guaranty measures for the rebels on the peace talks with the NDF. May we know those measures, sir? May we know the update on the peace talks?

[Ramos] I was consulted by Congressman Yap this morning at the AFP grandstand, and I told him that they must continue the effort to bring the two sides back to the conference table. And so I think he has developed a position that might be acceptable to the NDF. [passage omitted]

Defense Secretary's Remarks Cited

BK2112034894 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 20 Dec 94

[FBIS Translated Text] The cease-fire affecting military offensives remains in place despite the killing of four soldiers by communist rebels in an ambush in Kalinga-Apayao. Nevertheless, military commanders have been authorized to pursue rebels who abuse the cease-fire declared by the government. This is an exemption to the president's directive because the NPA [New People's Army] fired first and the government has the right to defend itself through pursuit operations.

[Begin Defense Secretary Renato De Villa recording in progress, in English] ...think about it in terms of that word. We only have a cessation, or suspension, of military operations against the NPA. When something like that happens the field commander is free to pursue and clear the area so that it will not happen again. [end recording]

Defense Secretary Renato De Villa admitted that the NPA attack against the army troopers is a big blow to the cease-fire. It is a bitter lesson for soldiers who had been confident they would not be attacked because of the cease-fire. De Villa said, however, that the cease-fire will not be reversed because of one ambush:

[Begin recording, in English] [De Villa, in progress] ...in that particular area only. We are talking only of one spot in the whole country so there is no way that... [pauses] It will not be productive for us—it will not be advisable for us—to suspend the SOMO [suspension of military offensive].

[Unidentified correspondent] Sir, will this affect the peace talks?

[De Villa] No, I do not think it will. I do not think it will because it has, in terms of the NDF [National Democratic Front], peace talks has not yet resumed in the first place. They are still working it out to resume it. Secondly, it is a tactical matter that should not create so much problem at the policy level. [end recording]

De Villa stressed that the ambush will not affect the peace process. According to De Villa, there have been no further reports of cease-fire violations.

Congress Ratifies Government Budget for 1995

BK2112024294 Quezon City GMA-7 Radio-Television Arts Network in Tagalog 2230 GMT 21 Dec 94

[FBIS Translated Text] Congress yesterday ratified the government's budget for 1995 amounting to P [Philippine pesos] 382.2 billion. Grace de la Pena has a report on how the government will spend our money next year:

[Begin de la Pena recording] After two days of discussions, the senators and congressmen in the bicameral finance committee agreed to reduce the proposed budget of Malacanang [presidential office] by P2.5 billion. The final figure is P382.2 billion, higher by P20 billion compared with this year's budget.

Almost all agencies of the government suffered cuts, but the Departments of Transportation, *P286.7 million*; Natural Resources, *P268 million*; and Trade and Industry, *P192 million*, suffered the biggest cuts. The Education Department has the biggest budget for 1995, reaching *P52.3 billion*, followed by the Public Works Department, *P31.2 billion*; the Defense Department, *P26.1 billion*; Local Government, *P15.8 billion*; and Agriculture, *P8.8 billion* [figures in italics appear in captions on TV screen].

Congress also allotted funds as safety nets for sectors affected by GATT, especially agriculture. Thirty two billion pesos was allotted for irrigation, farm-to-market roads, post-harvest facilities and other areas. Government employees will receive a salary increase in the amount of P1,000.00 every month starting January.

The foreign debt was reduced by P16 billion from P109 billion to P93 billion; however, because debt service is part of the automatic appropriation powers of the president, this can be immediately appropriated by Malacanang.

Grace de la Pena, GMA Balita [News], Congress. [end recording]

Thailand

Attorney General on Extradition of Drug Suspect

BK2112080094 Bangkok BANGKOK POST in English 21 Dec 94 p 1

[FBIS Transcribed Text] Supreme Attorney-General Khanit na Nakhon implied yesterday the Government wants to send former Chat Thai MP Thanong Siriprichaphong to the United States now that a US request for extradition of the former MP has been sent to his office. The US has asked Thailand through the Foreign Ministry to send Mr Thanong to fight charges of smuggling 49 tons of marijuana to that country between 1977 and 1987.

Drug trafficking allegations forced Mr Thanong to resign from his party in May and subsequently lose his parliamentary seat.

Mr Khanit said legalities and evidence of the US request are being considered by the International Cooperation in Criminal Matters Division.

Afterwards, the division could submit a proposal to the court immediately without having to seek advice, he said.

"In principle, if an extradition request arrives at my office, it means the Government has agreed to the request. This is applicable to the case of Mr Thanong," Mr Khanit said.

"If the Government did not agree to the request, the matter should have been terminated at the Police Department or the Foreign Ministry and it would not have been forwarded to the Office of the Supreme Attorney-General," he said.

According to Mr Khanit, if prosecutors propose that the court extradite Mr Thanong, Mr Thanong would have to report to the court when the proposal was submitted. If this was the case, Mr Thanong would have the right to appeal, he said.

"It is the court that will have the final say on whether Mr Thanong is to be extradited," Mr Khanit said.

Cabinet secretary-general Witsanu Krua-ngam said Thailand has its own extradition law and an extradition treaty with the US. But the extradition treaty does not say Thailand must comply with the US request. It only says Thailand should consider extraditing a criminal.

* Article on U.S. Gulf Arms Storage Plan

95SE0026A Bangkok LAK THAI in Thai 5-11 Nov 94
p 21

[FBIS Translated Text] The United States has been trying to find a place to establish a "floating military base," or "reserve armory" in this region ever since the end of the Vietnam War, particularly after it was forced to withdraw its bases from the Philippines in response to public opinion in the Philippines.

Thailand has become an important "target." The United States would like to build a reserve armory here and is focusing on two-three spots, including Takli District in Nakhon Sawan Province, Utaphao, and Sattahip Port. They have been trying to do this for a long time, that is, since the time that General Prem Tinsulanon served as prime minister in 1985.

The United States has been making a great effort to induce Thailand to become a strategic point for the establishment of a "reserve armory." It has said that this weapons storage depot will be used to store mainly small-arms ammunition and artillery rounds and that no

nuclear, chemical, or biological weapons will be stockpiled there. American soldiers will not be in charge of security. That will be the duty of the Thai military in the form of a joint committee.

Armories will be established in two places. One will be a Thai armory, and the second will be an American armory. With respect to the American armory, the United States will pay all the construction costs. Once construction has been completed, whenever the Thai or American governments want to do anything having to do with the armories, all tariffs will be waived.

Eventually, it became apparent that there would be problems in building an armory at one of the three main ground locations. Efforts were made over the course of several administrations, from the administration of General Prem Tinsulanon and General Chatchai Chunchawan to the time of the National Peacekeeping Council, in which the military played a major role, and the United States proposed various conditions. But there was no response to any of their overtures.

Most recently, after the fully democratic government of Chuan Likphai took power, Mr. Bill Clinton made another effort. The U.S. Department of Defense sent a letter to the Thai government and the Thai Ministry of Defense asking that talks be held on the establishment of a weapons storage depot in Thailand. But this time, the "target" was switched from a ground location to a location at sea, that is, they want to establish a "sea armory." Munitions ships would dock at sea in the Gulf of Thailand. The Thai military would be responsible for maintaining this storage facility.

If conflicts arise in this region or something serious occurs in the Middle East, the United States will send only forces in order to take weapons. This will make it easier to maintain security in this region and reduce costs.

The reason why the United States has chosen Thailand to serve as the guinea pig in establishing this floating armory is that, according to them, Thailand is the most suitable country strategically. What they have failed to mention is that other countries have refused to allow themselves to be turned into strategic military points.

As for the attempt by the United States to turn Thailand into a weapons center in this region, even if this stems in part from the good intentions of an ally, if Thailand does in fact become the site of a floating armory, it will immediately become a "big shot" in this region. And "leading hoodlums" such as the United States will become our "nursemaid." We will have great efficiency with respect to weapons and other war materials and can immediately draw weapons from the armory if war threatens the country. And if Thailand can't handle the enemy alone, the United States will be prepared to send forces experienced in the use of those weapons and station them here.

But this also poses a danger and threat to Thailand. Because considering this from another angle, if an enemy knows that a weapons storage depot is located in Thailand, they may decide to attack and destroy that arms depot first. Thailand could suffer great destruction.

The important thing today is that no country in this region is interested in obtaining modern weapons or having more weapons than other countries in the region. The world has developed and is now competing on the economic front rather than waging war. People in the ASEAN region have stopped acting like "neighborhood bullies" and turned to trade in order to gain economic wealth. In effect, economics leads now politics and the military.

If Thailand allows a weapons storage depot to be built here, regardless of whether it is located on or off shore, this will be strongly opposed by those who are tired of war. This will be like inviting the enemy into the house. After the United States sent a letter to the government of Mr. Chuan Likphai concerning this matter, the prime minister sent a letter to the Ministry of Defense. The Defense Council sent a letter to obtain the views of each of the branches of service, and each branch summarized the feasibility and the advantages and disadvantages of this.

Some agreed with this and felt that this would benefit the military. Others disagreed and felt that even though this would benefit the military, it would be bad for the economy in general.

The conclusions reached by each of the branches were sent to General Wichit Sukmak, the minister of defense, and then submitted to Mr. Chuan Likphai for a final decision. Mr. Chuan Likphai has made his decision and boldly stated that Thailand "will definitely not allow an armory to be established in Thailand's territorial waters." That is a very resolute and straightforward response. Otherwise, Mr. Chuan would have hurt himself much more.

* Writer Sees Hostile U.S., Western Objectives

95SE0025A Bangkok ATHIT in Thai 4-10 Nov 94
pp 8, 9

[Article by Chatcharin Chaiwat]

[FBIS Translated Excerpt] During the "heyday" of the "14 October generation," those students and people who expressed dissatisfaction with the United States and Western Europe were labeled leftists or communists by the powerholders in Thailand at that time, such as military officials, businessmen, and government officials.

They played a very strong role in opposing the United States. During the time that people demanded expulsion of the American military bases and the Ramasun radar station, people even "urinated on the American flag." The Caravan music group composed songs critical of the

both Thai and American leaders. From what I remember, they wrote such words as "senior officials lack morals. They are despots who are stealing from the nation and people. They are tricking their fellow countrymen. They praise only the United States. They accuse people of being communists, jail innocent people, and kill those they dislike. No one is allowed to say anything. They like to use their power to oppress people. They are thugs who fire at people before shouting at them to "get out." At that time, the United States was an "imperialist that invaded any country it wanted to." They associated with the "ruling class," and resolute action had to be taken to drive them out....

Some literary writers, particularly "sadis" writers and "saridon" thinkers such as Tharanong Sichua, whose real name was Suwat Sichua, said that "the United States is not our father."

But in the end, the students and people, or "leftists," of that period were defeated by the "rulers" or "toadies of the United States." They failed to curb American influence in Thailand. The United States and the "rulers" here were successful in keeping the country from becoming a "domino" and in maintaining a "free capitalist" system here.

Those students and people branded as leftists were accused of being "underlings of China" or "underlings of Vietnam." Bunsong Chalethon, for example, was nicknamed "Bunsong Saele" and was said to be a Vietnamese. Kriangkamon Laohaphairot was called "I Kiang" [derogatory] and was said to be Chinese. At the same time, the students told Thai Government officials: "The United States is your father." Finally, things quieted down, and things have been peaceful ever since.

But recently, from what I have observed, things are starting to happen again in ways reminiscent of 14 October 1973. It's as if "history is coming full circle," or as if "nothing has really changed." But actually, if we look at things closely, it can be seen that "things are changing." Something new is happening, and the people here are being polarized. The United States and the imperialists are being drawn in once again. But things seem to be changing in accord with the "universal law of cause and effect." That is, in 1994, the powerholders or ruling class in Thailand seems to be exhibiting "signs" similar to those of the leftist students of 14 October. Some military officers have expressed great "dissatisfaction with the United States."

Senior officials, who cannot go as far as "urinating on the American flag," have said that "Thailand is not the colony of anyone" and that "Thailand is not a colony of the United States." They have refused to send Thai soldiers to help the United States in Haiti and Rwanda. And they have openly criticized the former American ambassador who accused Thailand of supporting the Khmer Rouge.

Recently, the Thai ruling class or powerholders in several state enterprises have openly condemned the World

Bank, in which the United States plays an important role, using words just as strong as those once used by leftist students. That is, they have said that "foreigners should not think about seizing control of Thailand" and that "after living in Thailand for just a few years and speaking a little of the language, they have started formulating plans to change the shape of Thailand's state enterprises. They should go home." This is similar to the posters written by students, who often write "Yankee go home."

In 1994, the Thai ruling class is similar to the students of 1973. It's strange, isn't it? Things seem to be coming full circle. At the same time, some people are starting to criticize the "X" generation, or youths who are waging a struggle to preserve the environment and help the poor in Thailand. The criticisms are very strong. That is, they are being accused of "being underlings of the United States," which is the same charge that the students of 14 October once leveled against Thai Government officials.

The nongovernment organizations [NGO's] have been accused of "taking money from foreigners" to destroy Thailand. That is the same charge that the students of 14 October made against Thai Government officials, accusing them of "associating with the United States" to steal from the country.

A military friend of mine said that "today, the United States is no longer using CIA officials as in the past. Instead, it is using the NGO's."

This reversal of direction back down the same old path is very interesting. This is taking place even before the "new generation" or even members of the 14 October generation have entered the "ruling class." Most of those who have been accused of being underlings of the United States are those who are fighting for the poor and fighting to protect the environment. At the same time, those once accused of dealing with the United States are still in the "ruling class." What has changed? What is the reason for this reversal? There are various data that can explain this. What has changed is the United States and the world. Now that the United States and the superpowers in Europe have changed, the enemies of the United States in 1973 are different from its enemies in 1994. [passage omitted]

As for Thailand, besides the fact that the United States asked Thailand to cooperate in Haiti and help the poor in Rwanda, the United States is also thinking about asking for permission to establish a floating military base in the Gulf of Thailand in order to "reduce military tensions" in this region. Clashes could happen at any time because of trade interests or because of Chinese military ambitions. China is beginning to exert an influence in the Andaman Sea, Gulf of Thailand, and Pacific region and over the Strait of Malacca and trade routes in Southeast Asia.

Besides this, the World Bank is expressing views similar to those of European leaders, that is, it wants to "do

away with the monopoly system" in Asian countries. "Growth based on monopolies" has resulted in the destruction of national resources in order to satisfy their demand for development or in order to meet the needs of expanding populations. Thus, the World Bank is playing a strange role. It is no longer the friend of the Electricity Generating Authority of Thailand [EGAT], which during the past 25 years has been able to grow because of the World Bank and "monopoly system." The World Bank has, for example, expressed concerns that the Pak Mun Dam will harm the environment. Besides this, the World Bank wants Thailand to abolish the "state enterprise law," which is monopolistic and which could lead to even greater environmental destruction. Both EGAT and the Petroleum Authority of Thailand are trying to gain access to resources in neighboring countries, such as the forests and headwater areas in Laos, the gas and oil deposits in Burma, and the lignite in Yunnan, China. Disbanding these monopolies will give the United States and Europe a chance to introduce the new technology of private companies in Thailand and other Asian countries, technology that will reduce the destruction of resources based on the use of "fossil fuels." Obviously, what this means is that they will try to force these countries, including Thailand, to implement a system that gives private foreign companies an opportunity to compete freely based on this standard. The laws on certain state enterprises such as EGAT, which is like an independent state that is above the Thai government and which enjoys a new type of monopoly, pose an obstacle to the introduction of new technology by foreign companies. For this reason, it's no surprise that the American and European imperialists of the past are returning to Asia. But this time, the ruling class is the enemy, and the poor are their friends.

The Thai ruling class once relied on the support of the United States and European countries in governing and coercing the people of Thailand. That was during the time when the superpowers in the world feared the communist threat. But the "problems" are changing. The environmental problems and the gap between the rich and the poor have made the world's superpowers more afraid of "pollution" and "Asian methods" than "communism." Asian leaders, the administrative system in Asia, and the ruling class in Asia may come under pressure similar to that in the case of Haiti, where the United States is trying to "exert pressure to bring about democracy." We will have to wait and see.

The songs of the younger generation, which call on people to protect the environment and take pity on the poor, are at odds with the songs for Thai sovereignty just as in the case of the "leftists in China." That is, the rightists of the past are now waging a struggle against the Chinese communist administrative system with the full support of the United States.

Looking at things from the standpoint of "fate" or from a religious standpoint, everything changes and generates a reaction based on factors that have changed. Imperialism once destroyed kingdoms in this region because

the powerholders in this region oppressed the people and fought among themselves. That gave Europeans an opening. The imperialists were defeated and had to withdraw from this region because of their actions in Asia. Europeans competed for power, which led to the first and second world wars. The superpowers returned to Asia again because they feared the communist threat. And today, the superpowers, which had withdrawn, are once again returning because of the oppression and environmental destruction caused by government officials, whom the superpowers once used as tools. [passage omitted]

Government To Allow Import of Foreign Rice

BK2112074894 Bangkok Radio Thailand Network in English 0000 GMT 21 Dec 94

[FBIS Transcribed Text] Thailand will allow the import of 200,000 tons of rice starting next year. Deputy Prime Minister Suphachai Phanitchaphak said the Committee on Rice Policy and Measures agreed at its meeting on Monday [19 December] to open the Thai market to foreign rice. Mr. Suphachai said Thai domestic rice would not be affected by the policy, as the price of imported rice would be higher with a tariff of 30 percent. The deputy prime minister said the committee deemed it necessary for Thailand to open her rice market so that her rice export would also benefit from the opening of markets in Japan and South Korea.

Meanwhile, the Committee on Rice Policy and Measures approved the fund of 187 million baht for rice stockpile of 500,000 tons for export. Permanent Secretary for Commerce Chare Chutharattanakun said the amount of rice would be bought by the Department of Foreign Trade for government-to-government rice contracts. Also, a budget has been sought to prop up rice prices as the start of the harvest from November this year to February next year. The government bears the cost of marketing.

Already rice exporters have registered with the Department of Foreign Trade for altogether 1.1 million tons of rice contracted for export next year.

Country To Open Up Market for 23 Farm Products

BK2112083894 Bangkok BANGKOK POST in English 21 Dec 94 p 20

[FBIS Transcribed Text] Thailand will open up its market for 23 farm products as required under the General Agreement on Tariffs and Trade, according to Deputy Commerce Minister Chaoyot Sasomsap.

The Cabinet yesterday decided to free the market by changing non-tariff barriers to tariff barriers using quotas for the products which include rice, soybean, tobacco, milk and dairy products, coffee and sugar. The move could give Thailand a chance to seek chairmanship

of the agriculture committee of the World Trade Organisation, he said. Thailand will gradually open up its market for these products by the start of 1995 and complete the process by the end of next year.

The 23 products are divided into two groups, the first are products that need to be imported owing to insufficient domestic production including maize, soybean and palm oil. The second are products of which the country can produce enough and no imports are necessary, such as rice.

Mr Chaoyot said the Cabinet had agreed first to open up the rice market to foreign countries regardless of whether it was Thailand's most important farm product.

In practice, Commerce Ministry permission is needed for rice imports with import duty as high as 2,750 baht per ton. No approval has been granted in the past in case domestic paddy farmers suffered. But under the GATT's Uruguay Round, Thailand must liberalise its rice trade within 10 years. Starting next year, it must allow imports equal to about 3 percent of the country's total rice consumption, representing 237,863 tons. This will attract 30 percent import duty per ton.

Prospective rice importers must apply to the Foreign Trade Department 30 days in advance. The department will allow imports three times a year at four-month intervals.

If import applications exceed the quota, an allocation method will be used. Those who do not use up their quota face penalties.

A Thai rice exporter said rice growers were not worried as only a small number of people who had lived abroad would buy foreign rice.

Deadline Set for Cambodian Coupist's Departure

BK2112074494 Bangkok BANGKOK POST in English 21 Dec 94 pp 1, 8

[Report by Somchai Misane in Bangkok and Phanrawi Tansuphaphon in Phnom Penh]

[FBIS Transcribed Text] Foreign Minister Thaksin Chinnawat is giving Cambodia until the end of this month to submit the verdict on fugitive coup leader Sin Song, or Thailand will send him to a third country, a source said yesterday.

Mr Thaksin, who will pay an official visit to Phnom Penh today, came up with the deadline when he was asked about the issue by Prime Minister Chuan Likphai during yesterday's weekly Cabinet meeting, the source added.

In Phnom Penh, a source said Pol Col [Police Colonel] Thaksin might be able to take a copy of the Cambodian military court's verdict back to Bangkok with him later today.

Pol Col Thaksin is due back in Bangkok tonight after paying official visits to Phnom Penh and Vientiane.

Cambodia's military court on October 28 sentenced Gen Sin Song in absentia to a 20-year jail term for his role in the July 2 abortive coup.

The former Cambodian interior minister is currently in custody in Bangkok after being arrested with four aides and convicted in early November to a two-month suspended sentence on illegal entry charges.

Gen Sin Song has asked but so far has been denied asylum in several third countries, including France, the United States and The Netherlands.

The Cambodian Government wants him back to serve out the prison term but Thailand insists that it needs to see the Cambodian court's verdict before a decision can be made on his future.

According to the source, the Foreign Minister told the Cabinet meeting that Thailand had asked for the verdict two months ago, but had received no reply.

If Cambodia fails to hand over a copy of the document by the end of this month, Thailand would send Gen Sin Song and his aides to a third country without heeding any protest that may come from the Cambodian Government, the source quoted the minister as adding.

Minister Thaksin told reporters at Government House that Thailand's decision on Gen Sin Song and his aides would be based on Thai immigration laws if Cambodia fails to hand over a copy of the court verdict.

Speaking to Thai reporters in Phnom Penh yesterday, Thai Ambassador to Cambodia Sakthip Krairoek said the Cambodian Government should expedite delivery of the verdict to the Thai Government because the verdict had been upheld.

The envoy cited Cambodian authorities' rejection last Friday of another coup plotter's appeal for the verdict against him to be overturned. Former secretary of state for the interior Gen Sin Sen was sentenced to an 18-year jail term under the same October 28 verdict.

The military court also found 10 other Cambodians and 14 Thais guilty of involvement in the takeover bid and sentenced them to jail terms ranging from two to 20 years.

Cambodia's former deputy premier Prince Norodom Chakrapong was sentenced in absentia to 20 years. But the prince was allowed to leave the country the day after the coup bid following intervention from his father King, Norodom Sihanouk, and is now living in exile in France.

According to Ambassador Sakthip, King Sihanouk recently told him that he had recommended to the Cambodian Government that the 14 Thais be granted amnesty.

The Thais were set free and allowed to return to Thailand despite the conviction.

Minister Thaksin is due to hold talks with Cambodian Foreign Minister Ing Huot this morning before meeting Cambodia's co-prime ministers Norodom Ranariddh and Hun Sen.

Pol Col Thaksin told the Cabinet meeting that he would also urge Cambodia to find the culprits in the killing of 17 Thai timber workers in Cambodia's northern province of Preah Vihear late last month the source said.

Moreover, the Foreign Minister would ask the Cambodian Government to pay compensation for the damage done by Cambodian soldiers in the recent armed robbery at Aranyaprathet, and call for cooperation in maintaining security along the Thai-Cambodian border, the source added.

Two Thai policemen were killed in the December 7 raid on a restaurant in Thailand's border province of Sa Kaeo.

Defence Minister Wichit Sukmak briefed the Cabinet on the Supreme Command's joint meeting with Cambodian authorities after the killing in Preah Vihear, the source noted.

The minister pointed out that more troops and intelligence units had been sent to the border and that the An Ma pass in Ubon Ratchathani had been closed, the source said.

Gen Wichit and the Cabinet rejected a request for the reopening of the pass because the situation was not yet deemed sufficiently safe, the source added.

Deputy Interior Minister Udon Tantisunthon pushed for the reopening after he and Ubon Ratchathani Governor Nithisuk Ratchaphit visited the pass two weeks ago.

Mr Udon cited the benefits to Thais and Cambodians from border trade, the source said.

Pol Col Thaksin told reporters that the Interior Ministry is responsible for decisions on opening checkpoints.

The closure stopped the transportation of logs from Cambodia and affected the income of the Cambodian Government, he added.

In Phnom Penh, Ambassador Sakthip said relations between Thailand and Cambodia had improved, to the extent that the Cambodian Government might invite Armed Forces Supreme Commander Wattanachai Wuthisiri to pay a visit.

His predecessor Air Chief Marshal Woranat Aphichari cancelled a scheduled visit to Cambodia last year "due to the Khmer Rouge problem," the ambassador added.

*** Thai, FUNCINPEC Sources View Inter-Party Deals**

95SE0023A Bangkok SIAM RAT SAPDA WICHAN in Thai 9-15 Oct, 6-12 Nov 94

[Article by "Lan Fong" in "Focus on Indochina" column]

[9-15 Oct 94 p 31]

[FBIS Translated Excerpt] A news source within FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] talked about the matter of Hun Sen, the second prime minister of the Cambodian coalition government, stating that Cambodia's cabinet will be reshuffled in the near future. The news source said that leaders in FUNCINPEC and the Cambodian People's Party agreed on this in principle following the attempted coup at the beginning of July. The leaders of these two parties feel that this will help resolve the conflicts in administering things between the two major parties in the coalition government.

The news source said that in view of the fact that the leaders of these two parties have already agreed on this in principle, it's clear that this cabinet reshuffle is aimed at removing certain people who often cause conflicts between these two parties. They will be transferred to more suitable positions. FUNCINPEC has already considered reshuffling some of its cabinet ministers. The next step is to propose the list of people and have this approved by party members.

"The leader of the party, Prince Ranariddh, and most members of the party executive committee agree that the present ministers of foreign affairs, finance, interior, and tourism need to be replaced. They also feel that some of the provincial governors and army region commanders who belong to the party need to be reshuffled in accord with the roles, capabilities, and results achieved by each one in the past period," said the FUNCINPEC news source.

The news source added that the fact that most members of the party executive committee agree with this clearly indicates that Prince Norodom Sirivut will be removed from his position as minister of foreign affairs. He will probably keep his position as deputy prime minister. Sam Rangsi will be removed from his position as minister of finance and appointed economic policy adviser to the prime minister. Veng Sereivut will be replaced as minister of tourism but will retain his position as minister in the Cabinet of Ministers. Yu Hokkri will be removed from his position as minister of interior and appointed governor of Phnom Penh.

As for who will replace these people, the news source said that the leaders of these two major political parties have already agreed in principle to an exchange of ministries under their control. That is, FUNCINPEC will allow the Cambodian People's Party to take full control of the Ministry of Finance, Ministry of Interior, and Ministry of Foreign Affairs. In exchange, FUNCINPEC will take full control over the Ministry of Defense.

"The fact that Hun Sen has confirmed the coming cabinet reshuffle is a clear indication that leaders in the People's Party support switching ministerial portfolios with FUNCINPEC. This means that General Tie Banh

will probably be moved from minister of defense to minister of interior along with Sar Kheng. And it is expected that Keat Chhon, a senior minister, will be put in charge of the finance ministry. Chem Snguan, a minister of state, will be appointed minister of foreign affairs. The new minister of defense will probably be General Tea Chamrath, who is a member of FUNCINPEC," said a news source who is a member of the Cambodian People's Party.

A diplomat in Phnom Penh said that in addition to this, leaders of FUNCINPEC are preparing to reshuffle provincial governors who belong to the party. This will be carried out along with the reshuffle of the five military region commanders after the cabinet reshuffle.

These two major parties were able to reach this agreement after Chea Sim and Sar Kheng, leaders of one faction in the People's Party, and Hun Sen and Gen Tie Banh, leaders of another party faction, reached an agreement on resolving the issue of how to deal with those party members accused of being involved in the attempted coup. [passage omitted]

[6-12 Nov 94 p 29]

[FBIS Translated Excerpt] [Passage omitted] A news source said that in view of the fact that the leaders of these two parties have reached an agreement in principle, it is clear that there will be a cabinet reshuffle. Those people responsible for the conflicts between the two parties will be removed from their positions and appointed to more suitable positions.

"The leader of FUNCINPEC, Prince Ranariddh, and the majority of those on the party executive committee agree that the present ministers of foreign affairs, finance, interior, and tourism, provincial governors, and military region commanders need to be removed and appointed to positions in line with their capabilities and achievements," said the news source. [passage omitted]

The news source said that leaders in these two major political parties have reached an agreement in principle on exchanging ministries under their control. That is, FUNCINPEC will allow the Cambodian People's Party to take full control of the ministries of finance, interior, and foreign affairs in exchange for full control of the Ministry of Defense.

The fact that Hun Sen confirmed the coming cabinet reshuffle at the end of September is a clear indication that the leaders of the People's Party support exchanging ministerial portfolios with FUNCINPEC. What this means is that General Tie Banh will probably be moved from minister of defense to minister of interior. Sar Kheng will replace Yu Hokkri, who will be appointed governor of Phnom Penh in place of Sim Seklong, who is a member of FUNCINPEC.

"The reason why people in only three ministries will be reshuffled at this time is that the leaders of these two parties want to see how the people and other countries

will react to this. But it is expected that within the next 3 months, Chem Snguan, a minister of state who belongs to the People's Party, will be appointed minister of foreign affairs in place of Prince Sirivut. The only FUNCINPEC minister will be General Tea Chamrat, who will be appointed minister of defense," said the news source from the People's Party.

A Thai businessman in Phnom Penh said that the reshuffle of the Cambodian cabinet, in which Sam Rangsi will lose his position, will probably help improve the economic, trade, and investment environment in Cambodia. Because at the very least, the fact that leaders in the Cambodian Government have decided to reshuffle the cabinet, with the focus being on Sam Rangsi, clearly indicates that they are aware of the fact that foreign investors have not been investing in Cambodia during the past 15 months.

"Sam Rangsi is a brash young man who wants to place the nation's economy within the international system. That's good. But in trying to do that, he has overlooked the real state of affairs and environment within Cambodia, where the risks of doing business are very great. Naturally, businessmen will look to see if the rewards are worth the risk. The greater the risk, the greater the potential rewards must be. This is where Sam Rangsi has stumbled. The conditions that he has set are too rigid, and he has refused to compromise with businessmen," said the Thai businessman.

As for the fact that Keat Chhon, a senior minister who belongs to the Cambodian People's Party, will replace Sam Rangsi as minister of finance, the Thai businessman said that this shows that the Cambodian coalition government is trying to create a more attractive economic, trade, and investment environment.

"I tend to think that the economic conditions and benefits in place during the time of the Hun Sen government will be implemented again. During that period, foreign trade and investment, particularly investment from Thailand, poured into Cambodia because the rewards were worth the risk. I also think that the problems facing Thai businessmen in the wake of the review of the investment agreements will be resolved. That includes the Floating Hotel project, the hotel, golf course, and casino project on Kong Island, and the television project of IBC. This will give Thai investors greater confidence," said the Thai businessman. [passage omitted]

* Rockets, Weapons Seized on Cambodian Border

95SE0034A Bangkok DAILY NEWS in Thai 25 Oct 94 pp 1, 17

[FBIS Translated Excerpt] At 0800 on 24 October Police Corporal Sathit Bansong and Police Master Sergeant Prasan Chiuyaem, policemen from the provincial police station in Ta Phraya District, and a number of other policemen were manning a checkpoint that had been set

up along the Ta Phraya-Buriram highway near Village 5 in Thaplat Subdistrict, Ta Phraya District, Sa Kaeo Province. During this time, a yellow six-wheeled water truck belonging to the Department of Highways that did not have any license plates but did have the number 25-35422-6189-91-0 written on the sides, approached the checkpoint from the direction of Ban Khlong Phaeng headed for Buriram Province. The policemen signaled it to stop. The driver was identified as Mr. Thong Nak-arong. [passage omitted]

When they searched the large water tank, the officials found a large number of weapons. [passage omitted] They found 245 82-mm rockets, 48 new-model folding AK 47 rifles, 3 folding AK rifles, 1 Chinese-made M-60 machine gun, 70 rounds of M-60 ammunition, three 75-mm recoilless rifle rounds, one 75-mm recoilless rifle with tripod, and 50 AK rifle ammunition clips.

During the interrogation, the driver, Mr. Thong, confessed that he had transported these weapons from Ban Khlong Phaeng in Ta Phraya Subdistrict, which borders Cambodia. He had followed the canal road until he ran into the checkpoint. He was taking the weapons to the Non Din Daeng Market in Buriram Province. But Mr. Thong refused to say who had paid him to transport the weapons or to whom they were to be delivered. Mr. Thong said that 3 months ago, he had transported another load of weapons from the same place and delivered them to a place along the border in Kanchanaburi Province. The police continue to question Mr. Thong in an effort to learn where he obtained these weapons.

* Governor, Burma Army Talk on Border Trade

95SE0026B Bangkok THAI RAT in Thai 30 Oct 94 p 10

[FBIS Translated Excerpt] Mae Hong Son is a small mountainous province. It shares a 400-km border with Burma, but it is still the only province that does not have any official border trading points. Mae Hong Son Province has not been able to open any border trading points with Burma because of the internal problems of the Burmese government, which is having problems with the ethnic minority forces. Those ethnic minority forces live here and there all along the border; as a result the situation along the border is very unstable.

But there is one point, that is, Ban Huai Ton Nun in Khun Yuam District, that can be used to cross the border to Mase and Pasawng districts in Burma. Those two districts are located approximately 30 km and 60 km from the Thai border respectively. There are no ethnic minority forces stationed here. Thus, it should be possible to open a legal border trading point here.

For this reason, Mr. Somchet Wiriyadamrong, the governor of Mae Hong Son Province, who wants to develop Mae Hong Son Province and bring growth and stability to this province, and a group of more than 50 officials

went to the Huai Ton Nun area on a fact-finding mission. They took a rugged route built during the Second World War. Thus, the trip was very tiring.

Besides obtaining information as discussed above, Mr. Somchet also had a chance to meet and talk with Burmese military officials, who have set up a camp near the Thai-Burmese border. Captain Che Mong U, the commander of Company 337, is in control of the BP 13 area. Lieutenant Colonel Iwing is the commander of the 337th Battalion.

During their talks, they discussed the possibility of opening a border trading point and holding traditional sports events in order to forge Thai-Burmese solidarity. They decided to hold these games this coming November in Khun Yuam District.

The Burmese soldiers had to send a report on these talks to the Burmese government. Burma will invite the governor of Mae Hong Son Province and the commander of the Third Military Region to come to Rangoon to hold further discussions on opening a border trading point. As for holding sports events, Burmese officials feel that that is fine. The games are scheduled to be held on Saturday, 19 November 1994, which coincides with the Lotus Festival.

Today, border trade in the Ban Huai Ton Nun area consists of inter-village trade. This trade requires some give and take. Usually, Burmese villagers cross the border and purchase goods in Thailand. But the number of people entering and leaving the country is not very large. [passage omitted]

* Poll on Chuan Popularity, Middle Class Views

95SE0034B Bangkok MATICHON in Thai 12 Nov 94 p 31

[FBIS Translated Text] Recently, a very interesting survey was conducted. The "Suan Dusit poll", conducted by the Suan Dusit Ratchaphat Institute, concerned the topic "The Life Style of the Middle Class in Bangkok." The objective was to obtain information on the life style and views of the middle class on various topics. The sample consisted of 2,908 people of both sexes and all ages and occupations from the 36 administrative zones in Bangkok. The study was conducted during the period 20-31 October 1994.

As defined in this study, the term "middle class" refers to people with an income of at least 15,000 baht and who have at least a B.A. degree.

Some of the interesting results of the poll had to do with politics, that is, "middle class satisfaction with the results achieved by the present administration."

Middle class satisfaction with the results achieved by the government were as follows: extremely satisfied, 3.2 percent; very satisfied, 37.4 percent; not very satisfied, 47.6 percent; very dissatisfied, 5.8 percent; and extremely dissatisfied, 6.0 percent. Thus, it can be said

that the middle class tends to be dissatisfied with the results achieved by the present administration.

The writer does not know very much about how this survey was conducted, such as how the questionnaire was designed, how the random sample was obtained, or the interview techniques used. But it is felt that the survey results are probably fairly reliable. This is because several recent studies have produced similar results. For example, the poll conducted by the MATICHON Research Office during the period 1-5 July 1994, which involved a random sample of 950 people from every election precinct in Bangkok, showed the following concerning people's confidence in the Chuan Likphai administration: Great confidence, 19.2 percent; average confidence, 52.2 percent; and little confidence, 28.6 percent. MATICHON, 13, 15, and 18 July 1994. During the period 5-13 September 1994, the MATICHON Research Office took a random sample of 6,289 people nationwide. It was found that most people felt that the government is not really intent on solving the problems. They felt that the government has achieved little in solving the problems and that it has not achieved concrete results. (MATICHON, 24, 26, 27, and 28 September 1994 and MATICHON SUT SAPDA, 30 September 1994)

In the Suan Dusit poll, another interesting point was middle class "satisfaction with the present role of the military." The results were as follows: Extremely satisfied, 6.1 percent; very satisfied, 51.0 percent; not very satisfied, 35.3 percent; very dissatisfied, 3.7 percent; extremely dissatisfied, 3.9 percent.

In short, most members of the middle class who gave their views are very satisfied with the role of the military. And comparing middle class views on the government and on the military, it can be seen that there is a clear difference. That is, "among the middle class, the military is more popular than the government."

Assuming that the results of this poll are reliable, they bode ill for the government and well for the military. This is because the middle class is an important base of economic and political influence (viewed from the standpoint of level of income, level of education, opportunity to obtain information, and opportunity to express their views and make their demands heard) that can point out the strengths and weaknesses of various groups, organizations, and institutions.

However, based on these data, in the writer's view it would be wrong to conclude that "if this is the case, isn't it time that the Chuan administration stepped down, and isn't it time for the military to replace the Chuan administration? (Because based on Thai history, the military has frequently seized political power.) And "do these data conflict with the theory of democracy in view of the fact that politically, the middle class is supposed to support politicians who will represent them in a liberal democratic system rather than soldiers, who are usually viewed as being dictators?" The results of this poll do not

answer these questions even though they do indicate that the role of the military is more popular with the middle class than that of the government. But this means that the middle class is satisfied with the present role of the military. This probably refers to those who are professional soldiers with good discipline and soldiers who do not interfere too much with political power. Soldiers have clearly been trying to play such a role ever since the terrible events of May 1992.

If soldiers try to play a role other than that of professional soldiers, particularly by meddling in politics and trying to seize political power, which was what happened in February 1991, with the terrible events of May 1992 being the result and with the image of the military falling to an all-time low, the middle class will probably be the first group to oppose the actions of the military.

Thus, among the middle class, even though the popularity of the military is now higher than that of the government, this does not mean that the middle class wants the military to play a political role in place of the government. Just the opposite is true.

As for the government, the fact that the middle class is dissatisfied with the government probably means that it is dissatisfied with the government's role as administrator in a democratic system. The government problem is managing things in the past period show its limitations and weaknesses in terms of both its ability to take action and its vision. For example, a recent nationwide poll showed that more than 50 percent of the respondents felt that during the past 2 years, the government has not been able to solve the various problems. (Important problems that have not really been solved include the distribution of power, the traffic problem in Bangkok, and the distribution of income.) (MATICHON poll, in the Friday, 30 September 1994 edition of MATICHON)

A survey conducted among businessmen found that most businessmen feel that the government has poor capabilities when it comes to making administrative decisions and that it has scored few concrete economic achievements. (PRACHACHAT THURAKIT, 9 September-1 October 1994). These data are an indication of the government's lack of efficiency in implementing things in the eyes of the people.

This also includes other perceived problems in implementing things such as sluggishness, a fear of getting deeply involved, and a preference for "following the butt of the bureaucrats." People have expressed dissatisfaction about all of these things. In particular, younger members of the middle class seem to detest "sluggishness and red tape." There is also the problem of crime, such as the bombing of schools, which occurred during the first year after this administration took office.

There are chronic problems such as the matter of the Saudi gems. In many cases, the government has tried to solve the problem by simply "letting the problem solve itself" or "letting the matter drag on until people forget

about it." This troubles people, particularly members of the middle class, because most members of the middle class like to solve problems in a reasonable manner. They prefer to do things in accord with the law rather than relying on others and using the "old-boy" system (which does not really help solve the problems but which just helps people forget the problems), which is the way that the present minister of interior likes to handle things. (Perhaps this is why General Chawalit Yongchaiyut's popularity among the middle class in Bangkok is always very lower whenever a poll is conducted.)

Thus, middle class dissatisfaction with the government probably stems from the fact that people are disappointed that the government has not played a role as a political leader who dares to think and act and who has clear economic and political goals (instead of expressing confused views as in the matter of distributing power). They want the government to act like a leader and lead the bureaucrats. They want it to take resolute action to solve the problems in accord with the rules and laws of society instead of adhering to the "old-boy" system. They want to see unity of action (instead of seeing the coalition parties playing political games in an attempt to win votes). These are the weaknesses of the government.

However, this administration still has many strengths that are respected by the middle class. For example, there is little corruption in this administration, and those in the administration are not subservient to the prime minister.

The Chuan administration should take steps to overcome these weaknesses and strive to maintain its strengths in order to maintain its popularity among the middle class and maintain the position of the government. This will help maintain the democratic system over the long term.

Besides this, the government knows that even though the middle class detests dictatorship, it will not protect an evil or corrupt government. An example is what happened to the government of General Chatchai Chuanhawan in February 1991. The result was that it was very easy for others to seize power.

*** Unions Face Poor Conditions, Low Membership**
95SE0041B Bangkok DAILY NEWS in Thai 14 Nov 94
p 3

[FBIS Translated Text] Some people have said that the government has played a role in weakening the Thai labor movement. Labor union representatives held a seminar at the Rattanakosin Hotel on the topic "Shifting the Labor Movement and Strengthening Change." This seminar was attended by more than 500 laborers.

Mr. Piyachet Khleokhlat, the president of the Teachers Labor Union, said that unless labor movements are channeled in the same direction, they will move in different directions, lack force, and grow weaker and

weaker. Thailand is becoming an industrialized country. There are approximately 6 million laborers in the industrial sector. But at the same time, only 300,000 laborers are union members. As a result of this, industrial workers lead hard lives. They are contracting diseases, and accidents are occurring more and more frequently. But their wages are not increasing. Thus, laborers should unite in order to increase their bargaining power and have leaders who will look after their safety and health. This will not be the case everywhere if employers are allowed to look after things. Instead, they will look after and protect their own interests. Laborers will be exploited by employers, particularly foreign employers who have invested in Thailand. Plants could be closed and laborers left "hanging" at any time.

Mr. Piyachet said that besides this, there are other important obstacles that have weakened the labor movement in the industrial sector: 1. The law stipulates that a labor council must be formed. This makes it difficult for laborers to unite. For example, at present there are approximately 800 labor unions, but there are more than 200,000 industrial plants. 2. The law does not protect those who establish labor unions. 3. The compensation set by law is too low. 4. The tripartite system leads to conflicts, because people fight for control. 5. There are no regulations concerning the formation of tripartite committees. 6. The state is trying to interfere in the labor movement. 7. The state has not kept an eye on all employers, with the result that employers continue to exploit laborers.

Vietnam

Radio Reviews Relations With European Union

*BK2012132694 Hanoi Voice of Vietnam in English
1000 GMT 20 Dec 94*

[Station commentary]

[FBIS Transcribed Text] Nineteen ninety-four marks a new rapid and overall development in bilateral and multilateral relations between the European Union [EU], western and northern Europe, and Vietnam. Here is our radio editor's opinion:

In May 1994, the European Parliament met and approved a resolution highly valuing the role and position of Vietnam in Southeast Asia. The resolution noted the important success in Vietnam's renovation process, national construction, and the resumption of relations with the International Monetary Fund, and other world financial institutions. These were important factors to develop relations between the EU and Vietnam. It also explained the bustling diplomatic activities between Europe and Vietnam in 1994.

The EU's policies have an impact on the policies toward Vietnam of its member countries as well as of other

European countries. It was also an important demonstration of Vietnam's open-door policy to befriend all countries and help with integrating into the international community.

The important visit of Vietnamese Prime Minister Vo Van Kiet to France, Germany, Belgium, Britain, and the European Community in 1993 and the visit to Vietnam of French President Francois Mitterrand were followed this year by visits to Vietnam by leaders of many European countries. These included the visits of Swedish Prime Minister Carl Bildt; Canadian Prime Minister Jean Chretien, the Dutch foreign minister, the British foreign minister, the Danish minister for cooperation and development, the Spanish minister of trade, Belgium's Crown Prince Philippe, the Belgian minister for foreign trade and European affairs, and the French foreign minister.

Hanoi early this year sent Vietnamese Deputy Prime Minister Tran Duc Luong, Foreign Minister Nguyen Manh Cam, and Deputy Foreign Minister Nguyen Di Nien to western and northern Europe. The exchange of high-level business delegations between western and northern Europe and Vietnam obtained concrete results contributing to the promotion of bilateral and multilateral relations in political, diplomatic, economic, trade, cultural, scientific, and technical fields. Almost all governments of western and northern European countries affirmed their support for Vietnam's renovation process and Vietnam's participation in ASEAN and other international organizations. The governments of these countries also hoped Vietnam would integrate into regional and world communities or organizations.

Worthy of note in Vietnam-EU relations was a four-day visit to Vietnam in late July by Mr. Hans van den Broek, EU commissioner in charge of foreign relations. He was the highest EU official to visit since Vietnam and the union established official diplomatic relations in November 1990. During a press conference on the results of his visit to Vietnam this year, Mr. Hans van den Broek said the visit was an important landmark in relations between the union and Vietnam. The visit showed that the EU was very much concerned with developing economic and trade cooperation and strengthening the success of Vietnam's renovation process. The EU hoped that Vietnam would positively contribute to peace in the region and the world.

Besides humanitarian aid valued at \$110, the EU carried out the EC international program on reintegrating Vietnamese refugees. The program was carried out over 30 months and ended on October 10th this year. Then early this month, the EU and Vietnam signed a financial agreement on technical aid to Vietnam for the 1994-96 period valued at \$20 million. The technical aid will cover projects promoting the economic renovation process in Vietnam and economic and trade development between Vietnam and the EU.

The trade ties between Vietnam and the EU also develop positively. Vietnam exported to the EU market garments

and textile products valued at \$300 million in 1993 and \$70 million [figure as heard] in the first six months of this year. However, because of the framework of economic and trade agreements between Vietnam and the EU has not been signed, Vietnam has met with many obstacles and inequality in competition with other countries in exporting goods to the EU market. That is why Vietnam and the EU are now trying to overcome obstacles to reach an agreement.

During his visit to Vietnam, Mr. Hans van den Broek affirmed the EU's support for Vietnam in joining ASEAN and in becoming a GATT observer.

The new developments in relations between western and northern Europe, the EU, and Vietnam will create a basis to further promote bilateral and multilateral relations.

Ceremony Marks Hoa Binh Power Project Completion

*BK2112072194 Hanoi VNA in English 0631 GMT
21 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec. 21—A ceremony marking the completion of Vietnam's largest ever resource development project, the Hoa Binh hydro-electric power plant, was held on site in the northern province of Ha Son Binh yesterday.

The Hoa Binh powerplant, designed to meet a lion's share of Vietnam's electricity needs to the year 2000, was constructed with financial aid and technical advice from the former Soviet Union, and continued to receive assistance from the Russian Federation and Ukraine since 1990.

Taking over 15 years to complete on the Black River (Song Da) site about 75 kilometres west of Hanoi, the massive Hoa Binh hydro-electric scheme now can provide power to the rest of the country via the recently completed trans-Vietnam national power grid which starts at Hoa Binh and runs south almost parallel to the famous Ho Chi Minh trail, covering a distance of 1,487 kilometres through 14 provinces and cities.

Party General Secretary Do Muoi, President Le Duc Anh, National Assembly Chairman Nong Duc Manh, Prime Minister Vo Van Kiet, advisor Pham Van Dong, and Russian Minister Anatoliy Petrovich Ogurtsov heading a government delegation from his country were at the ceremony.

The dam, which began producing electricity when the first of its eight turbines went into operation early in 1989, has taken 15 years to complete from when construction began in November 1979.

Prime Minister Vo Van Kiet pointed out at the completion ceremony that preparations had been made for more than a decade before actual work started in 1979 in a demonstration of the friendship that has existed for a long time with the former Soviet Union.

On behalf of the Vietnamese party, government and people, 'I express sincere thanks to the former Soviet Union and the Russian Federation who have provided important and major assistance for the project', the P.M. said.

He also thanked U.S.S.R. and Russian experts who had enthusiastically worked on the project, and expressed sympathy for the families in both countries who had members die from accidents during the construction period.

Hoa Binh has a designed generating capacity of 1,920 megawatts from its eight turbines, capable of producing 8.6 billion kilowatts an hour over one year.

This year alone its output is estimated at 46.7 of the nation's electricity output and is expected to alleviate the shortage of electricity in southern and central Vietnam via the trans-Vietnam 500 kilowatt power line.

Since the trans-Vietnam line was fully operational, Hoa Binh has supplied more than 700 million kilowatts an hour to Ho Chi Minh City and southern provinces, including 500 million kilowatts an hour to central highland provinces.

The Hoa Binh hydro-electric plant is more than four times the size of the country's next largest project, Tri An, in southern Vietnam.

The Hoa Binh plant has contributed more than 21 billion kilowatts an hour to the national economy since [words indistinct].

The project also controls and supplies water resources to the northern delta region for agriculture, and has improved the capacity for authorities to prevent flooding in Hanoi City and the lower Red River Delta.

Benefits of Power Plant Mentioned

*BK2012140994 Hanoi VNA in English 1218 GMT
20 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec 20—The Hoa Binh Hydro-Electric Power Plant with a design capacity of 8.16 billion kwh/year is the biggest of its kind in Southeast Asia and a project which brings in combined benefits to the national economy. This was stated by Mr. Thai Phung Ne, minister of energy in an exclusive interview with the national daily NHAN DAN on the inauguration today of the plant, which was built with assistance from the former Soviet Union.

Asked about the plant's contributions to the ongoing national construction, Mr. Ne said: 'The plant with a reservoir capable of containing 10 billion cubic metres of water and discharging [figure indistinct], and eight generators (1,920 mw in total) is the main supplier of electricity to the whole country from now till the year 2000. Since the first turbine was operational in January 1989, the plant has contributed more than 21.5 billion kwh to the national grid. In 1994 alone, its out put is

estimated at 5.7 billion kwh, representing 46.7 percent of the whole country's electricity output. Particularly, through the recently-completed 500 kv trans-Vietnam power line, the plant will alleviate the shortage of electricity in southern and central Vietnam'. 'So far this year, he further said the plant has supplied more than 700 million kwh to Ho Chi Minh City and southern province in addition to over 500 million kwh to the central highlands'. 'Apart from electricity', he added 'the plant has made an important contribution to improving the transport system in the lower area of the river and creating 180 more km of riverway in the upper area, protecting the Red River Delta from high floods and supplying water to irrigation network'.

Activities Marking Army Day Highlighted

*BK2112080294 Hanoi VNA in English 0651 GMT
21 Dec 94*

[FBIS Transcribed Text] Hanoi VNA Dec. 21—A delegation of the National Assembly (NA) led by Mr Dang Quan Thuy, vice chairman and head of its committee for defence and security, has paid a working visit to the Navy Institute, a number of Navy units and the Air Force Officers' School on the occasion the 50th founding anniversary of the Vietnam People's Army (Dec. 22).

During the visit, Mr. Thuy highlighted the achievements recorded by these above-said units, and told them to try their best to bring into full play the Vietnam People's Army's historic tradition and strengthen their unity and discipline in order to gain greater achievements.

On this occasion, a delegation of the National Assembly led by Nguyen Ha Phan, Politburo member and secretary of the party Central Committee, vice chairman of the National Assembly, had paid a working visit to the

Politics and Military Institute of the Armed Forces where he was reported on the institute's activities in the past year and its orientation and tasks in the coming time.

On Dec. 17 another NA delegation led by Vice Chairman Phung Van Tuu made a tour of the Navy Officers' School No. 1.

The Central Committee of the Vietnam Fatherland Front (VFF) held here yesterday a get-together with 59 mothers, representatives of all mothers nationwide whose husbands, sons and daughters laid down their lives for the motherland. These women were recently conferred the 'Heroic Mother' title by the state.

During the get-together, VFF Chairman Le Quang Dao welcomed the 'Vietnamese Heroic Mother' title holders and expressed his deepest gratitude to them.

On this occasion, the central committee presented gifts to them.

Correction to Article Reviewing U.S. Relations

BK2112004094

The following correction pertains to the item headlined "Article Reviews 1994 Relations With U.S.," published in the 15 December East Asia DAILY REPORT, page 49:

Page 50, first full paragraph, penultimate sentence, make read: On 5 October, President Clinton sent a letter to the U.S. Congress affirming that the latest number of GI's suspected to still be alive in Vietnam had been reduced from 73 to 55 [Ngayf 5 thangs 10, Toongr Thoongs Clinton gowir thuw cho Quoocs Hooij Myx, xacs nhaanj rawngf nhuwngx truowngf howpj binh syx Myx cuoois cungf nghi laf conf soongs owr Vieetj Nam dqax giamr tuwf 73 xuowngs conf 55]. (rewording, providing vernacular Vietnamese)

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